

**Working Paper 175**

**Reaching the Poor: The Influence of Policy and  
Administrative Processes on the Implementation of  
Government Poverty Schemes in India**

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# Contents

Acronyms and Abbreviations	v
Glossary of Terms	vii
Lineage of Centrally Sponsored Schemes examined in this paper	vii
Overview of administrative structure	viii
<b>Part I Introduction and Summary of Findings</b>	<b>1</b>
<b>Part II Detailed Discussion of Individual Schemes</b>	<b>14</b>
<b>1. Direct Transfer Schemes</b>	<b>14</b>
1.1 National Old Age Pension Scheme (NOAPS)	14
1.2 Indira Awaas Yojana (IAY)	23
<b>2. Infrastructure Schemes</b>	<b>28</b>
2.1 Accelerated Rural Water Supply Programme (ARWSP)	28
2.2 Drought Prone Areas Programme (DPAP)	31
<b>3. Wage Employment Schemes</b>	<b>36</b>
3.1 Sampoorna Grameen Rozgar Yojana (SGRY)	36
3.2 Employment Assurance Scheme (EAS)	39
<b>4. Self Employment Schemes</b>	<b>43</b>
4.1 Integrated Rural Development Programme (IRDP)	43
4.2 Rashtriya Mahila Kosh (RMK)	46
<b>Part III Policy Processes and the Implementation of Centrally Sponsored Schemes in Andhra Pradesh and Madhya Pradesh</b>	<b>50</b>
<b>5. Andhra Pradesh – Scheme-wise Findings</b>	<b>50</b>
5.1 National Old Age Pension Scheme	50
5.2 Indira Awaas Yojana	51
5.3 Drought Prone Areas Programme	52
5.4 Food for Work Programme	54
5.5 Employment Assurance Scheme	54
5.6 Integrated Rural Development Programme	56
<b>6. Madhya Pradesh – Scheme-wise Findings</b>	<b>58</b>
6.1 National Old Age Pension Scheme	58
6.2 Indira Awaas Yojana	59
6.3 Drought Prone Areas Programme	60
6.4 Employment Assurance Scheme/Sampoorna Grameen Rozgar Yojana	62
6.5 Integrated Rural Development Programme/Swarnajayanti Gram Swarozgar Yojana	63
<b>References</b>	<b>65</b>
<b>Annex</b>	<b>69</b>
<b>List of Figures</b>	
Figure 1 District administrative structures	viii
Figure 2 The policy process	8
Figure 3 Growth in revised budgetary allocations for selected schemes	70
<b>List of Boxes</b>	
Box 1 Grants for Centrally Sponsored Schemes	2

Box 2 Are funds from Centrally Sponsored Schemes being diverted to other uses?	12
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**List of Tables**

Table 1 Summary of the performance of schemes	3
Table 2 The main provisions of the sample of centrally sponsored schemes	15
Table 3 Summary matrix of policy history	18
Table 4 Impacts of design characteristics on outcomes	48
Table 5 Growth of revenue receipts	69
Table 6 Procurement of wheat and rice (in million tonnes)	69
Table 7 Issue Prices of wheat and rice (Rs/quintal)	69

## Acronyms and Abbreviations

AP	Andhra Pradesh
APL	Above the Poverty Line
ARWSP	Accelerated Rural Water Supply Programme
BDO	Block Development Officer
BJP	Bharatiya Janata Party
BPL	Below the Poverty Line
CAG	Controller and Auditor General
CEO	Chief Executive Officer
CSS	Centrally Sponsored Schemes
DoRD	Department of Rural Development
DoWCD	Department of Women and Child Development
DDP	Desert Development Programme
DPAP	Drought Prone Areas Programme
DPC	District Planning Commission
DRDA	District Rural Development Agency
DWCRA	Development of Women and Children in Rural Areas
EAS	Employment Assurance Scheme
EGS	Employment Guarantee Scheme
FC	Fully Covered (source of drinking water)
FCI	Food Corporation of India
FI	Financial Institution
FWP	Food for Work Programme
GKY	Ganga Kalyan Yojana (Scheme for rural irrigation via tube wells or bore wells)
GoMP	Government of Madhya Pradesh
GP	<i>Gram Panchayat</i>
GS	<i>Gram Sabha</i> (village council)
HADP	Hill Area Development Programme
HYVP	High Yielding Varieties Programme
IAADP	Intensive Agricultural Area Development Programme
IADP	Intensive Area Development Programme
IAS	Indian Administrative Service
IAY	Indira Awaas Yojana (Rural Housing Scheme)
IRDP	Integrated Rural Development Programme
JB	<i>Janmabhoomi</i>
JP	<i>Janpad Panchayat</i>
JRY	Jawahar Rozgar Yojana
LPG	Liquid Petroleum Gas
MDT	Multi Disciplinary Team
MFAL	Marginal Farmers and Agricultural Labourers
MLA	Member of (State) Legislative Assembly
MLC	Member of (State) Legislative Council
MNP	Minimum Needs Programme
MoRD	Ministry of Rural Development
MP	Member of Parliament
MSP	Minimum Support Price
MWS	Million Wells Scheme
NC	Not Covered (source of drinking water)
NDWM	National Drinking Water Mission
NGO	Non Governmental Organisation

NOAPS	National Old Age Pension Scheme
NR	Natural Resources
NREP	National Rural Employment Programme
NSAP	National Social Assistance Programme
NTFP	Non-Timber Forest Products
PC	Partially Covered (source of drinking water)
PD	Project Director
PDS	Public Distribution System
PEO	Programme Evaluation Organisation
PHED	Public Health Engineering Department
PIA	Project Implementation Agency
PM	Prime Minister
PMGY	Prime Minister's Gramodaya Yojana (Prime Minister's Rural Scheme)
PR	<i>Panchayati Raj</i>
PRI	<i>Panchayati Raj</i> Institution (Local government institution)
PS	<i>Panchayat Samiti</i>
RGNDWM	Rajiv Gandhi National Drinking Water Mission
RLEGP	Rural Land Employment Guarantee Programme
RMK	Rashtriya Mahila Kosh (National Credit Fund for Women)
RWP	Rural Works Programme
SC	Scheduled Caste
SDM	Sub Divisional Magistrate
SDO	Sub Divisional Officer
SFDA	Small Farmers Development Agency
SGRY	Sampoorna Grameen Rozgar Yojana (Complete Wage Employment Scheme, also known as Rural Employment Scheme, and formerly Food for Work)
SGSY	Swarnajayanti Gram Swarozgar Yojana (Golden Jubilee Rural Self-Employment Programme)
SHG	Self help group
SITRA	Supply of Improved Toolkits to Rural Artisans
ST	Scheduled Tribe
TDP	Telugu Desam Party
TRYSEM	Training of Rural Youth for Self Employment
UP	Uttar Pradesh
UT	Union Territory
VLEW	Village Level Extension Worker
VO	Voluntary Organisation
ZP	<i>Zilla Parishad</i>

## Glossary of Terms

<i>Chulha</i>	Stove
<i>Firka</i>	Sub-unit for revenue administration within a Block, also called <i>Pargana</i> or <i>Circle</i>
<i>Garibi Hatao</i>	Remove Poverty (a programme initiated by Indira Gandhi)
<i>Godown</i>	Warehouse
<i>Gram Kosh</i>	Village Fund
<i>Gram Panchayat</i>	Village <i>Panchayat</i> ; the third tier of the <i>Panchayat Raj</i> system
<i>Gram Sabha</i>	Village Assembly
<i>Gram Sewak</i>	Village secretary, appointed by the State for local developmental issues
Green Revolution	The Green Revolution began in India in 1965 with the arrival of new types of rice and wheat. In all, the production of food grains in India increased, largely due to the Green Revolution, from 73 million tonnes in 1965–6, to 154 million tonnes in 1984–5
<i>Janmabhoomi</i>	Literally, ‘Land of one’s birth’, a State sponsored development programme in AP
<i>Janpad Panchayat</i>	Block-level government
<i>Kutchra</i>	Temporary
<i>Lok Sabha</i>	Lower House of Parliament (Central Government)
<i>Panchayati Raj</i>	System of rural local government with three ascending tiers, viz., <i>Gram Panchayat</i> , <i>Mandal</i> or <i>Panchayat Samithi</i> and <i>Zilla Parishad</i>
<i>Panchayati Samiti</i>	Block level of the elected local government
<i>Panchayat</i>	Local government
<i>Panchayat Ghar</i>	Type of community hall used for several purposes, especially village gatherings
<i>Pargana</i>	See <i>Firka</i>
<i>Patwari</i>	Village accountant
<i>Pradhan</i>	Village headman/chief (also <i>Sarpanch</i> )
<i>Pukka</i>	Permanent
<i>Pyraveekar</i>	Middleman
<i>Sarpanch</i>	Village Headman
<i>Tahsil</i>	Sub-unit of a sub-division of a District, also <i>Taluk</i>
<i>Tahsildar</i>	Officer in charge of <i>Tahsil</i>
<i>Taluk</i>	See <i>Tahsil</i>
<i>Zilla Parishad</i>	District level of the elected local government

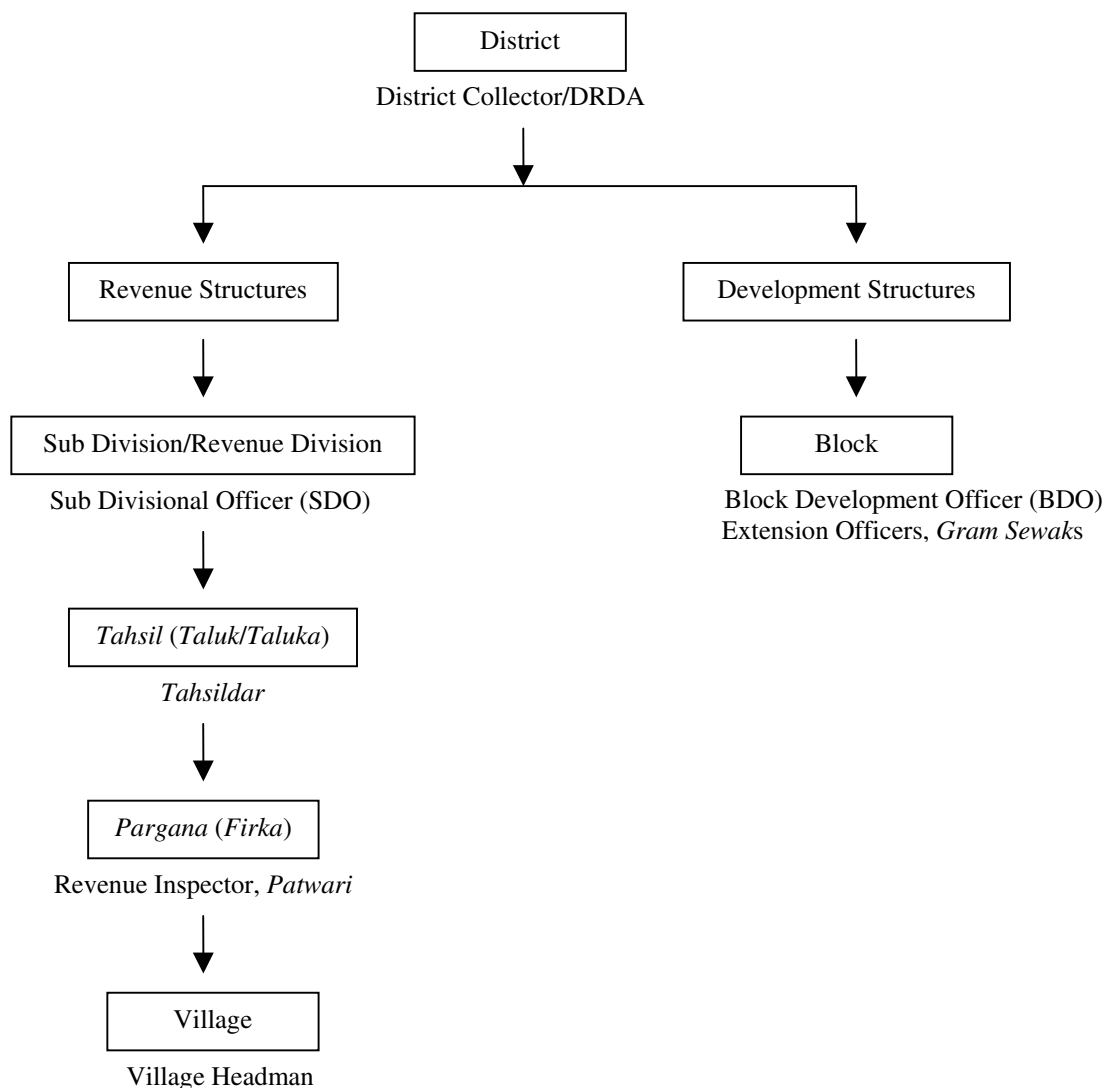
### Lineage of Centrally Sponsored Schemes examined in this paper

NOAPS	Introduced in 1995; little change
IAY	Up to 1985, was a subscheme of the RLEGP; 1986–95, a subscheme of JRY; 1996 onwards, independent as IAY
ARWSP	Introduced 1972; replaced by MNP in 1974–5; became NDWM in 1986; became Rajiv Gandhi NDWM in 1991; restructured as ARWSP in 1999
DPAP	Introduced as RWP in 1970; introduced as DPAP in 1974; made exclusively a watersheds-based programme in late 1980s
EAS	Introduced in 1993; extended in 1997; restructured in 1999
SGRY	Introduced 2001. Earlier form ‘Food for Work’ was launched in 1977 but discontinued shortly after
IRDP	Was SFDA and MFAL scheme 1971–9; became IRDP in 1980; along with five other schemes, merged into newly launched SGSY in April 1999
RMK	Introduced in 1993; little change

## Overview of administrative structure

For administrative purposes, each State or Union Territory in India has been divided into distinct units called Districts. Most State departments are represented at District level by their own officers. Districts are further divided into development units and revenue administration units.

**Figure 1 District administrative structures**



Originally, the Development Block (or simply Block) was envisaged to contain a population of around 0.1 million, which would be provided with developmental services, with all development functionaries attached to this office. Over the years, however, functionaries have tended to become absorbed back into the line departments and the Block office now deals only with Rural Development programmes and *Panchayati Raj*. The area of a Block is not necessarily a sub-set of the area of a *Tahsil* or even of a Sub-Division, though efforts are being made all over the country to restructure Blocks to fall within the boundaries of Sub-Divisions. Block boundaries, however, generally fall within those of a District.

The Block has one or more BDO, along with Extension Officers and *Gram Sewaks* or VLEW (Village Level Extension Workers).



### **Sub-Division/Revenue Division<sup>1</sup>**

The District is geographically divided into one or more units known as Sub-Divisions.<sup>2</sup> The officer in charge of this unit is called the Sub-Divisional Officer (SDO) or Sub-Divisional Magistrate (SDM) in Uttar Pradesh (UP), Revenue Divisional Officer or Sub-Collector in Tamil Nadu, and *Prant* Officer (Deputy Collector or Assistant Collector) in Maharashtra. The SDO is thus either a newly recruited member of the IAS or a member of the State civil service. It is not necessary that all departments are represented at this level, since the distribution of staff below District level follows departmental needs.

### ***Tahsil***

The sub-division comprises one or more *Tahsil* (called *Taluk* in Tamil Nadu, *Taluka* in Maharashtra and Circle in Assam), the basic unit for purposes of general administration, treasury, land revenue, land records and other items of work. It has the closest and widest contact with the rural population. The officer in charge of the *Tahsil* is the *Tahsildar*, or Circle Officer, who belongs to the State civil service.

The distinguishing function of this official all over the country is the maintenance of land records. In most parts of the country he is also the principal district administration official responsible for actual revenue collection. Administration at *Tahsil* level is the most local point of government where revenue and land questions are dealt with.

### ***Pargana***

The next unit in revenue administration, which is however not a mandatory division all over the country, is known as *Pargana* in UP, Circle in Maharashtra and *Firka* in Tamil Nadu. The head of this unit (the Circle or Revenue Inspector) is in charge of the revenue administration and land records of every village within his area. The revenue functions of a smaller group of villages are usually performed in most parts of the country by the *Patwari*, who is also responsible for all work connected with land problems. He performs a multitude of functions, including the collection of village statistics.

### **Political structures at and below District level**

The 73<sup>rd</sup> Constitutional Amendment of 1993 required States to introduce a strengthened system of local government. The ratification of this by the States and the actual transfer of powers has been uneven, and the names attached to the different levels of local government vary somewhat. The overall structure is of an elected local government in three tiers, broadly as follows:

- District level: *Zilla Parishad*
- Block level: *Panchayat Samiti*
- Local level: *Gram Panchayat* (generally comprising several villages)

In addition, each village has a *Gram Sabha*, or village assembly, comprising all the adults of a village, to which certain development and other functions are allocated.

A Schedule accompanying the 73<sup>rd</sup> Amendment sets out the rural development responsibilities of local government. In practice, there has been some difficulty in ensuring the transfer of these from the development administration at Block and District levels, and lines of reporting among civil servants remain largely upward within their own departments, with very little accountability to local government.

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1. Also known as the Sub-Divisional Magistrate (SDM)/Revenue Divisional Officer/Sub Collector/Deputy Collector/Assistant Collector

2. (called Revenue Divisions in Tamil Nadu, *Mahkuma* in many States, e.g. Assam, Uttar Pradesh and Madhya Pradesh, and *Prant* in Maharashtra)



# Part I Introduction and Summary of Findings

## Introduction

This study was conceived within the frame of a wider study on the diversification of rural livelihoods in India. The scope and objectives of the wider study, together with preliminary outputs, can be viewed at [www.livelihoodoptions.info](http://www.livelihoodoptions.info). Briefly, the wider study aims to identify what policy initiatives might better support the poor in their search for enhanced livelihoods.

The Government of India currently commits some Rs250 billion (£3.5 bn) to a number of poverty-reduction schemes, projects and programmes<sup>3</sup> in support of the livelihoods of the poor. Box 1 provides the main financial dimensions of these, indicating how trends in central contributions to these have changed over time. The majority of financial provisions under these schemes are allocated to rural areas. These therefore provide an important starting point in any effort to identify – as the wider study seeks to – what role government policy can in future play in enhancing the livelihoods of the poor.<sup>4 5</sup>

A first prerequisite for any such scheme to impact on the poor is that funds allocated under it should actually reach the poor; more specifically, that they should reach the intended beneficiaries. A second is that they should achieve their intended purpose. Where schemes simply seek to transfer resources from the better off to the poor, this second purpose is achieved if the funds reach the intended beneficiaries; in other schemes, such as those aiming to enhance productive assets in some way, to assess whether this second objective is achieved would require a further set of investigations. This study focuses on the first prerequisite, though reference is made where appropriate to secondary sources which have treated questions of impact on e.g. productive assets.

The study focuses on four broad types of poverty reduction scheme:

- those aiming to achieve income transfer to the poorest (including the National Old Age Pension Scheme and the National Housing Scheme);
- those aiming to enhance the quality of infrastructure, particularly in relation to natural resources (including the Accelerated Rural Water Supply Programme and the Drought Prone Areas Programme);
- those having employment creation as a major objective (including the Complete Wage Employment Scheme (SGRY), and the Employment Assurance Scheme), and;
- those aiming to enhance self-employment possibilities (including the Integrated Rural Development Programme and the National Credit Fund for Women).

The eight schemes selected within each of these four broad types represent a small subset of the total number. They were selected purposely in order to illustrate a range of design characteristics and implementation arrangements. For this reason, the conclusions drawn regarding their performance are not valid in any statistically rigorous sense for the entire set of schemes. However, they do allow inferences to be drawn on how different types of design and implementation arrangements bear on performance.

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3. These are known generically as Centrally Sponsored Schemes, and funds for them are channelled through GoI Ministries (see Box 1). In addition, a further Rs210 billion (£3 bn) is provided for food subsidy, and lies outside these schemes. The amount officially provided by GoI for poverty reduction is Rs350 million/year (£5.6 bn), being the food subsidy plus part of the allocation via CSS.

4. Although it is recognised that poverty-focused schemes, etc. of the kind discussed here do not represent the sum total of policy possibilities – others include wider economic, social and infrastructural policies.

5. Centrally Sponsored Schemes constitute only one of three main channels for the transfer of funds from central government to the States, the others being support for the States' 5-year Plans and transfers under the provision of the Finance Commission. See Box 1.

For each of the eight schemes selected, Part II of this paper provides description and analysis of four kinds:

- first, it provides a description of the scheme, including its broad provisions, administrative arrangements, and the intended beneficiaries;
- second, it identifies sources of weakness in implementation, including issues of design, interpretation of design features, and the scope for political and administrative abuse;
- third, it identifies sources of strength;
- fourth, it presents a brief policy history, in order to identify the main factors – including those formally acknowledged and those which were apparently coincidental yet potentially important – which influenced the formation of individual schemes.

### **Box 1 Grants for Centrally Sponsored Schemes**

Because of constitutionally-determined divisions of rights and responsibility, the revenue-raising capacity of Indian States is less than that of central government. To compensate, there are statutory provisions for transfer from the centre to States. There are three broad types of transfer: via the Finance Commission, via the support to the States' 5-year Plans and via GoI Ministries. The first (amounting to Rs70,000 crores) is fully flexible. The second, at approximately Rs35,000 crores, depends on agreement with the States over the content of their Plans. The third, amounting to Rs25,000 crores, and also known as Centrally Sponsored Schemes, is determined by the provisions and guidelines attached to individual schemes, and so is relatively inflexible. The second and third are agreed through the Finance Ministry and Planning Commission.

The Government of India commits some Rs 250 billion (£3.5 bn) to Centrally Sponsored Schemes (CSS) every year.<sup>6</sup> Table 8 and Figure 3 provide details of grants to schemes we consider in this study. Grants for CSS are meant to supplement the resources of the State governments, who are responsible for the implementation of these schemes and who are expected to pay a matching contribution, typically of 25%. However, contributions to the social sector from the State Plans<sup>7</sup> have steadily declined over the last two decades – with the share of the social sector in the Plan budget of the Central Ministries having increased from 30% to 70%. This trend is reflective of the steadily increased economic dependence of the States on the Centre, as well as the changing political economy of Centre-State relations. Centrally Sponsored Schemes are important channels for transfers to the States, who rely on transfers from the Centre for additional funds apart from tax and non-tax revenue sources granted to them through the Finance Commission agreements. However, these transfers have been criticised as being 'discretionary' as they are designed by the central ministries where many non-economic considerations enter into the distribution mechanism (Rao and Singh, 2000; p.21). Bureaucratic and political discretion is important and Rao and Singh (2000, p.1) find evidence that States with greater bargaining power seem to receive larger per capita transfers. Another reason for this is that many poorer States are unable to provide matching funds to co-finance, or otherwise lack the capacity to absorb the funding (World Bank, 1995; p.46). World Bank (1995, p.46) also finds that richer and more developed States have received more Plan transfers per capita than poorer and less developed ones.

There is also evidence at the aggregate level that funding for projects approved by the Planning Commission is spent, at least in part, on recurrent expenditure items (World Bank, 1995: p.47). Grants for CSS could in effect be financing items such as salaries and consumables, which are meant to be outside Plan budgets.

These trends must also be seen in light of the political economy of Centre-State relations in India. With the decline of the Congress Party, regional parties and those built on sectional interests have gained importance. While, as we noted above, States have become increasingly dependent on the Centre economically, they have become increasingly politically independent and indeed, powerful. While the Centre has often used the funds for Centrally Sponsored Schemes as a tool to enhance its political visibility at State level (there have been instances where the PM has announced new programmes at public meetings, leaving the Planning Commission and the relevant ministries to work out the details separately), the allocation of funds is also dictated by compulsions to bow to regional parties at State levels (such as in Andhra Pradesh – see our discussion of the EAS), who are also coalition partners at the Centre.<sup>8</sup>

6. All financial data relating to CSS presented in this report refer to GoI allocations. Actual uptake by the States is considerably lower (see Shariff et al, forthcoming, and Asthana, forthcoming).

7. i.e. 5-year Plans.

8. Recently, the Planning Commission expressed its intention to freeze the amount allocated to Centrally Sponsored Schemes, citing the CAG's findings of misuse of funds and poor implementation, and the inability of the Ministries at the Centre to control their

## Summary of the performance of schemes

Table 1 provides an overview of the performance of the eight schemes examined here. Inevitably, this is impressionistic, being drawn both from the secondary sources and key informant interviews referenced in the main text of this paper. Nevertheless, as is argued below, these performance ratings are consistent with what might be expected from the design and implementation characteristics of the schemes. The four broad types of scheme are now considered in turn.

**Table 1 Summary of the performance of schemes**

Type and name of scheme	Degree of political manipulation	Degree of administrative abuse	Impact on productive assets
<i>Income transfer types</i>			
National Old Age Pension Scheme (NAOPS)	L	L	N/A*
Rural Housing Scheme (IAY)	H	H	N/A
<i>Infrastructure strengthening types</i>			
Accelerated Rural Water Supply Programme (ARWSP)	M	H	L
Drought Prone Areas Programme (DPAP)	M	M	M**
<i>Employment creation types</i>			
Rural Employment Programme (SGRY) (formerly Food for Work)	L	M	L
Employment Assurance Scheme (EAS)	M	H	L
<i>Self-employment types</i>			
Integrated Rural Development Programme (IRDP)	L	H	L
National Credit Fund for Women (RMK)	L	L	H***

Key: L = Low, M = Moderate, H = High

Notes:

\* Not applicable since these two schemes do not aim to impact on productive assets – they are concerned with income transfer only

\*\* Much depends on the type and quality of the Project Implementing Agency: NGOs have typically performed better than other types, but are few in number

\*\*\* Preliminary estimate, given the recent introduction of the scheme

### *Income transfer types of scheme*

The pension (NOAPS) and housing (IAY) schemes exhibit contrasting design criteria: NOAPS disburses small amounts of money on a regular basis through relatively non-corrupt channels (mainly, the Post Office), whilst IAY allocates large lump sums on a one-off basis. The main difficulty for the poor in the NOAPS case is that of obtaining documented recognition of their age and destitution status, and it is likely that a number of potentially eligible applicants have found their applications either rejected, or more commonly, lost in a bureaucratic maze which they find impenetrable. Despite the small individual amounts of money involved, and the low-income status of applicants, these defects in the registration procedure are associated with some degree of corrupt practice on the part of bureaucrats. However, for precisely these reasons, the scheme has attracted little political manipulation – though the other side of this particular coin is that the economically and socially low status of beneficiaries, and their spatially sparse distribution, makes them of little

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execution (CAG, 1998). The Approach Paper to the Tenth Five Year Plan states that the ‘mushrooming growth’ of Centrally Sponsored Schemes is a ‘case of the state overstretching itself’, and calls for convergence of similar schemes and the elimination of schemes that have outlived their utility. It has also proposed to reduce the grant component of these funds. These announcements have been criticised, among others (EPW, 1999), as being detrimental to States’ priorities and a consolidation of power at the Central level. States demand that these funds be devolved to them for their own use as per their own priorities.

interest to politicians as potential ‘vote banks’, so that there is little political incentive to expand the scheme.

By contrast, the housing scheme is seen by politicians as an important means of patronage: the Rs20,000 lump sum payment is large enough to offer a significant reward to political supporters, and there is clear evidence that a high proportion of the benefits of the scheme have been manipulated to this end. The size of individual payment also makes this scheme popular with local officials – it is large enough to withstand unofficial ‘fees’ running into several thousand rupees per application for the provision of forms, assistance in completing them, and the provision of signatures. Some safeguards against corruption are built into the implementation arrangements: for instance, payments for each stage of construction are only made when the preceding stage has been completed, and individuals are required to make their own arrangements for construction, so that officials are not permitted to engage contractors on behalf of beneficiaries. However, evaluations indicate that contractors have been engaged in many cases – not surprisingly given the large individual amounts of grant involved, and the scope for collusion between contractors and officials in falsifying invoices. Typically, some Rs6,000 from every allocation of Rs20,000 under the scheme is misappropriated in these ways, and the basic design features of the scheme (such as large individual sums and the discretion provided to local administrators in the selection process) make it difficult to improve implementation performance.

### *Schemes to strengthen NR-related infrastructure*

The Accelerated Rural Water Supply Programme (ARWSP) and Drought Prone Areas Programme (DPAP) share some design features: for instance, both are driven by spatial criteria intended to reflect the severity of the NR problem. However, there are also major differences: the DPAP, for instance, does not explicitly incorporate poverty criteria. As far as their design and implementation criteria are concerned, the ARWSP is implemented largely by a technical department of the public sector (which is not part of the public sector rural development administration), with some recent (and almost totally unsuccessful) efforts to engage villagers in pump maintenance. The siting of pumps is supposed to be the prerogative of the village assembly, but politicians have frequently captured this process so that the siting of pumps becomes an instrument of political patronage. Village assemblies are also commonly subject to capture by village élites, so that pumps often tend to be located near to their dwellings, and access to them by the poorer becomes part of local patron-client relations. However, the maintenance of these pumps is generally far better than of those located elsewhere in villages. An audit review has revealed major financial mismanagement of the Programme. Field surveys indicate that breakdown is common after the pumps have been in operation for only a few months, and that they remain largely dysfunctional thereafter. Tendering at State level for the provision of installation services is particularly prone to corruption.

In many ways, the AWRSP exhibits the well-known weaknesses of programmes designed and delivered by the public sector with only minimal participation by local people: these include the poor maintenance of assets for which people feel little ownership, and numerous implementation weaknesses – including financial mismanagement – attributable to non-existent downward accountability by the service providers.

The Common Guidelines for Watershed Development prepared by the Ministry of Rural Development (MoRD, 1995) govern all of the schemes of the MoRD having a watershed component, including the other effort to improve NR-based infrastructure considered here – the Drought Prone Areas Programme (DPAP). These Guidelines were drafted in an effort to overcome many of the shortcomings described above: funds for watershed development were to be managed by villagers themselves, who would commission a Project Implementing Agency (PIA) to provide

technical advice and implement the rehabilitation along agreed lines, signing-off on each stage of work only when it was satisfactorily completed. The Guidelines also recognised the ways in which social divisions are reflected in differing interests in natural resources by stipulating a ‘ridge to valley’ approach in which those resources of most interest to the poor (forest and grazing land) would receive priority attention. They also recognised the potential dangers of élite domination within villages, and, during the four-year watershed rehabilitation cycle, provided for an initial period of ‘entry point’ activities with the poorer groups, such as savings and credit schemes or productive activities such as handicrafts, tailoring or backyard vegetable or livestock production. These were intended to give the poorer groups confidence in pressing forward their preferences when plans for watershed rehabilitation were subsequently discussed in village meetings. The period for such activities was extended by one year when the watershed rehabilitation cycle was expanded from four years to five in the late 1990s, though it was recognised that longstanding (and often centuries-old caste-based) distinctions within villages would not be eradicated by activities of these kinds.

Political manipulation of schemes under the Common Guidelines, such as the DPAP, is largely restricted to the selection of sites for rehabilitation. There is some evidence of misappropriation of funds: information on rehabilitation performance against agreed sequences is rarely provided in ways that allow largely non-literate populations to monitor performance, and where government agencies form PIAs, there is undoubtedly some double accounting as watershed budgets overlap with routine budgets. In some instances, contractors have been engaged in ways that have been conducive to false invoicing, but the Guidelines require that local labour be used for earthworks and replanting types of activity, so that the scope for tendering is limited. Among the main financial difficulties has been one generic to the public sector, namely the late release of funds and subsequently hurried activity in order to spend it before the end of financial year.

Whilst political and financial impropriety appear to have been no more than moderate in the DPAP, and do not necessarily reflect fundamental design flaws, perhaps the major difficulty continues to lie in ensuring that the assets created by public funds generate substantive benefit for poor people and are environmentally, economically and socially sustainable. For instance, in many cases, common resources such as grazing land and forest areas have been rehabilitated in ways which exclude poor people indefinitely, or at least for unduly long periods and so deprive them of livelihoods; in other cases, élites have begun to dominate the management of what are much more productive common resources post-rehabilitation. Rigid demarcations among government departments have meant that Forest Departments continue to prevent access to much land within watersheds. The Guidelines did not address these longstanding problems of compartmentalisation, but the experience of some watershed development agencies (see Farrington and Lobo, 1997) indicates that with patience and goodwill, such rigidities can be overcome. In other cases, élite pressure has meant that ‘ridge to valley’ sequences have not been followed, and that treatments directly relevant to agricultural land have consumed the bulk of resources. Further, there has been a marked unwillingness among farmers to make the required private contributions to the rehabilitation of agricultural land. The Guidelines do not cover post-rehabilitation difficulties (indeed, it is difficult to see how they could, other than by requiring that watersheds to be rehabilitated should be clustered, so that the implementing agency retains a presence in the area). One of the most common of such difficulties is the sinking of deep tubewells by better-off farmers, which gives them the lion’s share of groundwater (often depriving those relying on shallow wells or handpumps for domestic water of even the basic minimum requirements during dry spells). This also permits them to grow crops having heavy water requirements such as rice or sugar cane, which in many areas are also the most profitable.

One of the most striking features of the DPAP and other watershed-based schemes is the wide variation in quality of implementation (and of the subsequent asset) which appears to correlate

consistently with type of implementing agency: government agencies rarely have the time or skills to create (and help to maintain) the degree of consensus which is necessary for strong local 'ownership' of the resource. NGOs generally perform much better. The difficulty lies in the small number of NGOs relative to the size of the task (and to the volume of disbursements for watershed development) and the slow pace at which adequately skilled new ones can be created, though again some agencies have demonstrated foresight in training some members of watershed committees in rehabilitated watersheds to form NGOs which can act as PIAs in other nearby watersheds (Farrington and Lobo, 1997).

### *Employment generation schemes*

Both the Rural Employment Scheme (SGRY, formerly Food for Work) and Employment Assurance Scheme (EAS) aim to provide additional wage employment in rural areas, particularly during 'lean' seasons. Among the differences between them are the stronger emphasis on paying part of the daily wage in the form of food grains under the SGRY, and a stronger provision for materials to allow the creation of durable assets under the EAS. Both schemes are to a large degree self-targeting, since only the poorest will work for the basic minimum wage. However, in both cases there is scope for politicians to influence the allocations of scheme resources towards their own constituencies. During the drought of the late 1970s, the amount of work provided by Food for Work more closely matched that demanded by rural people than did that provided by the EAS.

The strong role played by 'payments in kind' – i.e. via foodgrains – in the case of SGRY, and the cost and difficulty of storing and transporting grains, means that there is little scope for local-level misappropriation of resources by officials. However, within-district responsibilities for storage, transport and distribution of foodgrains are contracted out to fair price shops and private contractors, and there is considerable scope here for fraudulent practice when (as until recently has been the case) the public distribution price is lower than the market price.

The use of foodgrains for payment in kind is minimal in the EAS, and EAS regulations prohibit the engagement of contractors or middlemen, but this provision is widely flouted, and has been accompanied by falsification of attendance lists and other irregularities. Much of the potential central funding for EAS (and for other schemes such as the DPAP) is not drawn down by a number of States, which claim to find difficulty in finding their matching share of funding. Financial control is weak, with district authorities under pressure to certify that work has been done once they have forwarded the funds to local government or other bodies.

District level officials are under considerable political pressure to favour particular areas or constituencies, so that the distribution of benefits under the scheme is uneven. Some estimates suggest that, given the combination of malpractice among administrators and contractors, only 25% of the wage funds to which beneficiaries are entitled actually reaches them, the remaining 75% disappearing through leakages of various kinds.

Both the SGRY and EAS emphasise the need for community-based identification of assets that should be created through the wage funds. In reality, low priority is attached to seeking out and acting on local preferences, and it would in any case be difficult to identify investment opportunities that appeal equally to all interest groups within a village. Unsurprisingly, therefore, the majority of SGRY and EAS projects tend to be uncontentious ones such as road construction, yet these might not be of highest priority for the poor. Arrangements for maintenance of the assets are generally not made.



## *Self-employment schemes*

The Integrated Rural Development Programme (IRDP) is one of the largest and longest-standing efforts towards self-employment in India and is implemented by government agencies. By contrast, the National Credit fund for Women (RMK) is relatively new, still small, and implemented through NGOs.

The IRDP operates through a mixture of subsidy and bank loan. The subsidy element has been substantial, in the range of Rs4,000 to Rs6,000 depending on beneficiary characteristics. As with the National Housing Scheme (IAY), subsidies of this magnitude have attracted the interest of politicians wishing to divert the subsidies to their current or potential supporters. This has contributed to low repayment rates on the loan component, since defaulters (and bank staff) are aware of the political support enjoyed by this category of beneficiaries. It has also meant that a high proportion of beneficiaries are not below the poverty line.

Malpractice by lower-level officials has been pervasive. Surveys in some areas indicate that a 10% deduction was made by bank officials as informal 'charges'. In other localities, over 20% of the subsidy component was charged in various ways as 'speed money'. Another common form of corruption in some areas was for officials in collusion with local middlemen to provide the asset specified by beneficiaries, contrary to the regulations which require these to be provided by approved suppliers in exchange for cash payments by the beneficiaries. Working in collusion with administrators, the banks have also made illicit 'charges' on beneficiaries.

There is a large literature on the limitations of the IRDP in helping to create a sustainable productive asset base for the low-income self-employed. Difficulties include the fact that the production systems for assets specified for investment under the IRDP are not supported by services available through other relevant government departments. In addition, in many cases there is no insurance provision for assets such as livestock, so that their death will make it impossible for beneficiaries to repay loans. Other problems include:

- the limited capacity of government to identify investment opportunities (resulting in excessive investment in one particular kind of asset – such as dairy cows – within limited areas, so that markets quickly become flooded);
- frequent loan moratoria instigated by politicians, so that few beneficiaries take seriously the requirement to repay;
- inadequate monitoring at activity or output levels so that problems of inappropriate assets, high risk levels and low returns are rarely detected;
- complex application procedures which are near-impossible for low-income people to understand.

By contrast, the RMK focuses entirely on women below the poverty line and uses minimal procedures to disburse loans through NGOs. These then are required to identify women's groups eligible for loans and to contribute a 10% margin on the loan. There is no subsidy component.

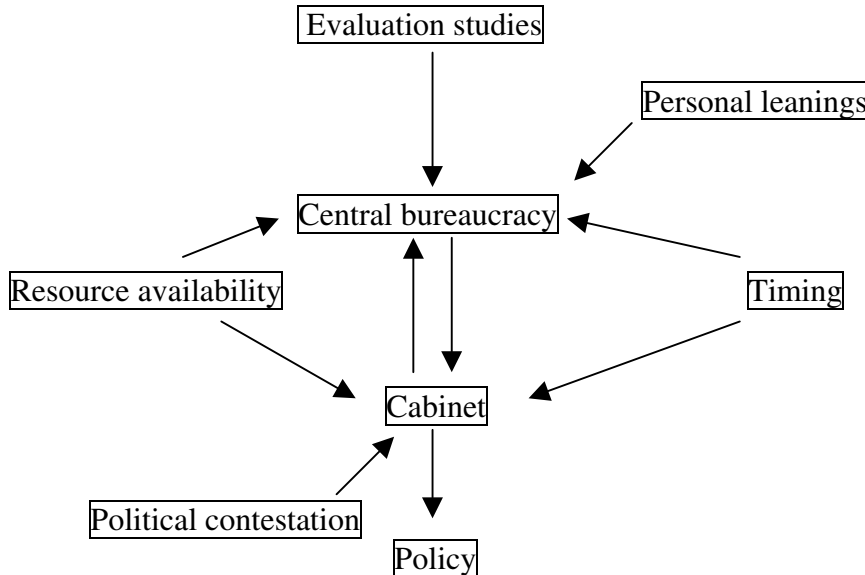
Funds disbursed through the RMK attract very little political attention, largely because of the absence of any subsidy component. Government officials have very little to do with disbursement procedures, and little corruption occurs.

Evaluations indicate the substantial contribution made to women's livelihoods by the assets purchased. However, the limited number of NGOs suitable for implementing this scheme is likely to constrain its expansion severely.

## The policy process

It is also worth considering how anti-poverty policies come into existence (policy initiation) and how much policy characteristics can be varied (policy change), in the Indian context. Policy histories discussed in this paper bring out the fact that complicated political and institutional processes affect anti-poverty policy in India. The introduction of new policies and/or changes in existing policies have been constrained by the following:

**Figure 2 The policy process**



### *Political contestation and Centre-State relations*

The policy process for anti-poverty schemes is firmly embedded in the political context.

As we note in this study, several schemes have political origins. Some of these date back to Prime Minister Indira Gandhi's call for '*garibi hatao*' (remove poverty) in 1971. Indira Gandhi aimed to connect directly with her electorate and bypass the state-level governing structure. Subsequent changes to schemes until the mid-1980s, by herself and her successors, were generally announced at election time.

However, this changed with the advent of coalition or minority governments at the Centre by the late 80s. There was a marked change in Centre-State relations, with regional parties growing in importance. Correspondingly, as is evident from the history of these schemes, political and regional affiliations began to play a role in the formulation of anti-poverty policy, mainly because the funds that flowed through these programmes from the Centre to the States became highly contested in a context of increasing resource scarcity and fiscal deficits at State level.

As a result, over the last decade, the Centre has had to bow to pressure from MPs and MLAs to extend schemes, increase budgets, change cost sharing ratios and channel resources to particular constituencies. The Centre meanwhile has expanded its own role by providing funding for sectors that used to be in the State purview such as pensions and basic minimum services.

Thus, political formations are an important constraint on policy making and can affect both policy initiation and change.

### *Timing*

The timing of policy change also appears to be a critical factor. Elections (such as with wage employment programmes, especially before the 1990s), international focus on an issue during particular periods (such as the International Drinking Water Decade), or the need for announcements on important occasions such as Independence Day often provide opportunities for change or new schemes. It is important to note, however, that often changes introduced might be merely tinkering with existing policy, which is brought out by the experience with the ARWSP, where schemes have been renamed and relaunched several times, with very little change until recently.

### *Resource availability*

As we note, the mid 1990s saw a rise in government revenues, which contributed to the introduction of new schemes such as the NOAPS and larger commitments on some existing ones such as the IAY. Similarly, food surpluses led to the launching of food for work programmes. On the other hand, recent trends of consolidation and merging of schemes have been prompted by fiscal constraints.

### *Evaluation studies*

Policy change has also been initiated through suggestions and results from evaluation studies and deliberations by Committees – often set up or sponsored by the Planning Commission and the Government of India. However, it is important to remember that evaluations and recommendations have usually been accepted only when they have not disturbed political interests. The DPAP is a good example, where the Hanumantha Rao Committee recommendations to introduce participatory mechanisms at field level were accepted, while the Jain Committee recommendations that suggested a reduction in the Centre's powers, were not.

### *Personal leanings*

Finally, officers' personal interest in the bureaucracy, coupled with their influence on politicians in power has also led to the launching of new policy. As we noted, this happened in the mid-1990s, when Narasimha Rao was Prime Minister, due to the presence of officers close to Rao being sympathetic to Rural Development.

## **Implementations of CSS in Andhra Pradesh and Madhya Pradesh**

### *Andhra Pradesh*

The following conclusions emerge from the study of policy processes underlying the implementation of rural development schemes in the State of Andhra Pradesh:

- a) Rural development resources are highly contested at all levels.
- b) The State of AP employs a broad-based strategy to use rural development resources to maintain its coalitions of political support, an important aspect of which includes the well thought out modifications of institutional arrangements for delivery of schemes. The strategy has included:

- the creation of new bodies and posts at local levels dominated by Telugu Desam Party (TDP) members for delivery of schemes like DPAP;
  - the resulting marginalisation of PRIs in the delivery process (the *Gram Sabha* is left with only the NOAPS);
  - the cutting off of access to bureaucracy by non-members of the TDP through the sidelining of independent contractors;
  - the dilution of opposition by MLAs by providing them with their own sources of patronage (such as the IAY);
  - the targeting of women (greater emphasis on DWCRA than on IRDP).
- c) While the political context has had important implications for the delivery process, and immediate winners and losers are clear, it will also be important to study the political impacts of these schemes in the medium term

The political consequences of the TDP's strategy with regard to rural development are not yet clear. While some strategies (such as the targeting of women) are having tangible political payoffs, some others might work contrary to Chief Minister Chandrababu Naidu's calculations. Potential political fall-outs include:

- **The alienation of the sections who have not benefited from schemes, especially as gains to certain sections have been highly visible**  
Opposition parties have been vociferous in their claims that TDP party workers have hijacked rural development programmes for private rent-seeking purposes. While these allegations are backed up to a certain degree, there are also wider processes of political consolidation by the state-level political regime that rural development schemes help fructify. Party workers placed on bodies controlling rural development resources at local levels are used as a tool for political mobilisation, especially as they often share caste ties with the dominant rural élite who continue to control poorer rural sections owing to their exclusive control over land. As one commentator put it, 'the politicians' vote bank [in AP] consists of not the people who vote, but the person who controls the people's votes' (Geetha Ramaswamy, in Reddy, S.S., 1990). While development programmes have dominated the TDP party's agenda during election campaigns, it will be important to investigate whether this has necessarily translated into the consolidation of political support amongst poorer sections in the medium term. Some analyses of the recent *Panchayat* elections have attributed poor showings by the TDP in certain areas to precisely these programmes and projects that have benefited a few at the expense of the many. However, others have noted that there were factors at the State level such as 'reforms' in the power sector and reductions in agricultural subsidies that have been responsible for the results (Professor K Srinivasulu, personal communication, 20<sup>th</sup> May 2002).
- **The loss of support from potentially important middlemen**  
As we noted above, there has been a sidelining of independent contractors who are not part of the party. There is also the possibility of Chief Minister Naidu losing out on the political support of important middlemen due to his closed-door policy for non party members. This strategy could also be dangerous for the longer term interests of the party as party cadres have been built up not on the basis of loyalty or ideology but on the fact that belonging to the party in power can further personal interests. Thus, if the TDP were to be ousted, it is possible that party members might shift loyalties.
- **The superseding of party interests by party workers' rent seeking activity**  
Finally, there is the possibility that local consolidation could operate for interests narrower than the party interests. While the general perception among party members is that Naidu as a

leader is extremely shrewd <sup>9</sup> (Professor K Srinivasulu, personal communication, 20<sup>th</sup> May 2002), there remains the possibility that strengthened local leaders could pose a threat in the longer term.

- d) A study of the budgets indicates that AP draws large amounts of resources from the centre, and can demonstrate that it has used these fully. This reflects its eagerness to draw these resources and its bargaining power at the Centre that enables it to do so.

According to guidelines for Centrally Sponsored Schemes, while the Centre's contribution comes as a grant paid in installments, States must provide matching contributions to the funds for their implementation. In addition, it is mandatory for the State to show utilisation certificates for the previous installment detailing how the money has been spent, as a prerequisite to the next installment. Most States suffer gross under utilisation (Shariff et al, forthcoming). However, Andhra Pradesh is one of the few States that makes a conscious effort to utilise and draw moneys from the Centre. The fact that the ruling party in AP (the TDP) has managed to occupy the GoI post of Rural Development Minister undoubtedly helps this. As we will see, AP has also succeeded in getting a large share of discretionary transfers of funds and food grains. This, in so small measure, is related to the importance of the TDP as a coalition member at the Centre.

### *Madhya Pradesh*

- a) The Madhya Pradesh government has definite priorities amongst the gamut of Centrally Sponsored Schemes offered to it, as evinced by the formation of and priority accorded to its 'Rajiv Gandhi Missions', and diversion of funds from wage employment programmes to State initiatives in other areas. Though central guidelines still govern most schemes, modifications have been made at the State level, driven both by concerns over effectiveness (such as strengthening accountability) and political expediency (such as balancing sets of political leaders).
- b) Political commitment can have an important role to play in kick-starting the relevant administrative structures. Schemes such as watersheds have seen a shedding of bureaucratic inertia and a sense of urgency within the administration. Other schemes such as the SGSY, which involves the formation of self-help groups, have suffered due to a lack of sustained political commitment leading to mostly apathetic bureaucratic attitudes.
- c) Measures towards decentralisation have had mixed impacts on the functioning of Centrally Sponsored Schemes, especially on the selection of beneficiaries. Much has depended on the particular context as our studies of the EAS and IRDP show. Except for DPAP, where guidelines are 'participatory', other Centrally Sponsored Schemes have been designed very much keeping in view a top-down delivery structure.

### **Scope for diversion of funds into State budgets**

Part of the attraction to States of CSS is the ease with which CSS funds can be diverted into schemes more closely associated with State governments. Box 2 suggests that this is widespread, and that manipulation of the timing of disbursements provides opportunities for temporary diversion of funds. However, for the States studied (AP and MP) it finds no systematic evidence of chronic diversion of funds.

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9. There have been instances where ministers who have criticised Naidu's programmes have been ousted.

## **Box 2 Are funds from Centrally Sponsored Schemes being diverted to other uses?**

Most allocations to centrally sponsored schemes can be tracked only to the district level – where they arrive either directly from the Centre or via the State governments. Beyond the district level there are no mechanisms to verify whether or not, and the extent to which, expenditures materialise in the field.

Nevertheless, there are definite indications that at least some funds from schemes are diverted from their given purpose. These can either be for other schemes that the State government prefers (which appears to be tolerated by the central government in the cases of Andhra Pradesh and Madhya Pradesh), and the more general use for budgetary support (which is frowned upon by the Centre). We discuss both these issues now:

### 1) *Diversion of Funds to other, more preferred schemes*

The Employment Assurance Scheme (EAS) makes an interesting case study for both States.

In Andhra Pradesh, CAG (2000) finds that the implementing authorities of the EAS diverted funds aggregating Rs111.3 million towards the state sponsored *Janmabhoomi* scheme and other activities<sup>10</sup> not connected with the EAS, leading to a loss of potential generation of employment of 1.908 million man-days during 1994-99. Rajakutty, et al (1999, p.99) note that discussions with the officials who implemented the EAS scheme at the divisional level showed that most of these funds were utilised for works identified as part of the JB programme. The same study notes that in Adoni and Karnool subdivisions of Andhra Pradesh, apart from watershed development works, most other works have been carried out under the banner of *Janmabhoomi* (Rajakutty, et. al, 1999; p.77).

It is also interesting to note that the *Janmabhoomi* scheme is accounted for as part of AP's non-Plan expenditure, while funds for schemes such as the EAS are part of Plan expenditure. (This is often taken to imply a transfer from capital to recurrent budgets, though the categories are not watertight – see Saxena and Farrington (forthcoming) for a fuller account)

In the State of Madhya Pradesh, 50% of EAS funds were diverted to the Rajiv Gandhi Watershed Mission until 1999-2000 when the watershed component under the EAS was disallowed by the Centre. However, moneys are still diverted from the EAS to other pet projects of the State government such as the '*Paani Roko Abhiyaan*' ('Hold Water Campaign') (Mahapatra, et al, 2001). According to observers in the State, district authorities have been given tacit approval by State-level authorities to find funds for the *Paani Roko Abhiyaan* from schemes such as the EAS and Jawahar Gram Samrudhi Yojana (JGSY).

### 2) *Diversion of funds for general budgetary support*

The 'diversions' described above may very well be beneficial as they could address States' priorities within the sector (for instance watershed development being preferred over wage employment). However there is also the potentially more serious question of whether funds allocated to centrally sponsored schemes are diverted into general support for State budgets. There are two ways this can happen: within a particular financial year, with money being released to implementing agencies at the end of the installment<sup>11</sup> period with interest being earned of it in the interim (the end of year accounts will not reflect this juggling in any way) and second, on a more permanent basis.

The former is supported by anecdotal evidence in both States, with the DRDA delaying releases to implementing agencies. Again, this is reported more for some schemes than others, with the NOAPS and the EAS being prominent. Thus, despite the State or DRDAs (depending on arrangements for drawdown for the particular scheme) drawing money from the Centre, it does not always reach the implementing agency on time. There is a further dimension to the flow of centrally sponsored funds – the 'utilisation' of funds once they reach the implementing agency. According to guidelines for Centrally Sponsored Schemes, while the Centre's contribution comes as a grant paid in instalments, States must provide matching contributions to the funds for their implementation. In addition, it is mandatory for the State to show utilisation certificates for the previous instalment detailing how the money has been spent, as a prerequisite to the next instalment. Most States in India suffer gross under-utilisation (Shariff et al, forthcoming).<sup>12</sup> The major reasons for these (Behar, Sharad, personal communication, 2<sup>nd</sup> July 2002) are:

10. Such as plantations in reserve forest area, maintenance and repair works, and flood damage works

11. As discussed earlier, grants for centrally sponsored schemes are usually released in instalments

12. Andhra Pradesh is one of the few States that makes a conscious effort to utilise and draw moneys from the Centre (N.C. Saxena, personal communication, 8th April 2002). AP has also often succeeded in diverting unused moneys from other States to itself by virtue of having a TDP man as the Rural Development Minister at the Centre. The State has also succeeded in getting a large share of discretionary transfers of funds and food grains. This, in so small measure, is related to the importance of the TDP as a coalition member at the Centre.

- a) Inadequate implementing machinery
- a) Confusion at the field level about programme guidelines
- b) Delays in sanctioning funds from the Centre, or State-level delays in release of funds to implementing agencies
- c) Ignoring certain sectors based on the relative priorities of a State government.

There is also the more permanent (chronic) diversion of funds to fulfill current account expenditure. This is considered highly irresponsible behaviour on the part of State governments. One way to ascertain this is by examining the ratios of plan loans from the center to actual plan spending. Where the former is higher, this generally provides strong evidence that some percentage of the funds for capital spending is financing other expenditures (World Bank, 1998). Upon calculation, we find such evidence for neither Andhra Pradesh nor Madhya Pradesh.

## General lessons

The evidence reviewed here suggests the following general lessons:

- i) Schemes having a large component of individual subsidy, or large individual transfers, attract the attention of politicians and officials bent on diverting funds away from their intended purposes and on allocating benefits to those (usually wealthier) outside the intended beneficiary group.
- ii) By contrast, small, regular payments are generally seen as not worth the trouble of embezzling or diverting, and schemes offering these are generally robust in implementation.
- iii) The schemes observed here that were implemented by NGOs appeared to be less corrupt than those administered by government, but this is a very small sample and may not be a generalisable finding.
- iv) Corruption in schemes involving payment in kind (such as foodgrains) appears to be concentrated at fewer points than in those involving financial payments (such as the siphoning off of grain by fair price shops). Potentially, therefore, it should be easier to monitor.
- v) Involvement of the private commercial sector in any aspect of implementation requires very close monitoring – the evidence suggests widespread collusion between middlemen and local officials in falsifying invoices and in a range of other malpractices.
- vi) The creation of sufficient local ownership of capital assets to ensure adequate maintenance and sustainability is exceptionally difficult for technical departments in the public sector to achieve (as in the case of water pumps under the ARWSP). Whilst recent public sector approaches (e.g. in DPAP) have attempted to break old top-down moulds, much remains to be done to break embedded patterns of corrupt behaviour.
- vii) Equally difficult for government is the identification of the types of productive asset and opportunity that has potential to enhance the livelihoods of the poor in sustainable ways. The negative experience of the IRDP is particularly instructive in this regard, though much the same applies to assets created under the EAS or SGRY.
- viii) The experience of DPAP and RMK suggests that NGOs have more success in this than does government, though again this finding is based on a very limited sample.

## Part II Detailed Discussion of Individual Schemes

Table 2 summarises the main provisions of this sample of centrally sponsored schemes considered here, and Table 3 sets out the main features of their policy history. The detailed discussions that follow should be read in the light of these summaries.

### 1. Direct Transfer Schemes

#### 1.1 National Old Age Pension Scheme (NOAPS)

##### *1.1.1 Description of the scheme*

##### **Broad provisions**

##### *Objectives*

The major objective of the National Old Age Pension Scheme (NOAPS) is to provide financial assistance to old people having little or no regular means of subsistence. It is one of the three components of the National Social Assistance Programme (NSAP), which aims to ensure minimum standards in addition to the benefits that the States provide.

##### *Modalities*

The amount of pension is Rs.75 per month per beneficiary. The State governments may add to this amount from their own sources. An upper ceiling on the number of beneficiaries for a State/Union Territory (UT) is prescribed by the Central Government.

##### **Administrative arrangements**

##### *Agencies responsible for delivery*

The programme is implemented by District-level implementing authorities headed by the District Collector with the assistance of the *Panchayats*. *Panchayats* are also responsible for reporting the death of a pensioner, and have the right to stop or recover payments sanctioned on the basis of false information.

##### *Arrangements for draw down of resources*

100% of Central assistance is made available to States/UTs. Funds are released directly to the District Collectorates through the DRDA in two instalments a year. All payments to beneficiaries are payable to the bank account of the beneficiary in post office savings banks, commercial banks or through a postal money order. Cash disbursement is also permitted provided the payment is made in the *Gram Sabha*.

##### *Monitoring and evaluation*

State and District level committees are constituted and should meet from time to time to monitor and evaluate the performance of the schemes in their respective States/Districts. The Nodal Ministry at the Centre is required to monitor States' progress in implementing the scheme.



**Table 2 The main provisions of the sample of centrally sponsored schemes**

	<b>Broad provisions</b> i) objectives <sup>13</sup> ii) modalities	<b>Administrative arrangements</b> i) agencies responsible for delivery ii) arrangements for draw down of resources iii) monitoring and evaluation	<b>Intended beneficiaries</b> i) target group ii) selection of beneficiaries iii) contribution by beneficiaries	<b>Financial provisions</b> i) allocation ii) expenditure	<b>Uptake</b> (number of beneficiaries /hectares covered)	<b>States</b>
<b>National Old Age Pension Scheme (NOAPS)</b>	i) social security assistance ii) minimum Rs75 monthly pension	i) district administration, PRIs ii) DoRD to Districts, then postal money order/ draft/ cash iii) committees, progress reports	i) over 65, destitute <sup>14</sup> ii) by GP in GS iii) application form, proof of age	2000-1 i) Rs4470 million ii) Rs4398.8 million	1999-2000 4,980,951 beneficiaries	all
<b>Indira Awaas Yojana (IAY)</b>	i) free shelter ii) Rs20,000 per house, allotted to female or both spouses	i) DRDA/ZP, GP, no contractors ii) released directly to DRDA iii) evaluation studies	i) BPL, at least 60% SC/ST ii) selected in GS. iii) must make own construction arrangements	2000-1 i) Rs21,506 million ii) Rs21,858.1 million	1999-2000 9,27,679 houses constructed Since inception (1985): 67,51,727	all
<b>Accelerated Rural Water Supply Programme (ARWSP)</b>	i) safe adequate drinking water, awareness, conservation ii) community-based, demand-driven water source within habitation	i) Public Health Engineering Departments (PHEDs), <sup>15</sup> PRIs ii) MoRD to States/UTs to PHEDs iii) institutionalised water quality monitoring and surveillance systems	i) Not Covered (NC), Partially Covered (PC), quality-affected rural habitations ii) locality-specific schemes selected by PHED, PRIs iii) PHEDs, beneficiaries in pilot districts	1999-2000 i) Rs13,771.9 million ii) Rs16,097.3 million	population covered: 1999-2000: 25.74 million 2000-1: 22.49 million	all

13. Each of the numbered headings is considered in the cells below

14. Little or no regular means of subsistence from his /her own sources of income or through financial support from family members or other sources

15. exceptions include Gujarat, Maharashtra, UP and Kerala, where State Water Authorities are responsible

<b>Drought Prone Area Programme (DPAP)</b>	i) tackle desertification, restore ecological balance ii) field unit 500 hectares for implementation over 4-5 years, costing depends on severity of problem <sup>16</sup>	i) DRDA/ZP provides finance/technical assistance; PIAs (PRIs/NGOs) ii) directly released to ZPs/DRDAs, then to Watershed Committees/PIAs iii) independent evaluations	i) drought-prone areas ii) DRDAs/ZPs select villages/watersheds iii) self-help groups/user groups participate in planning, maintenance	1999-2000 i) Rs950 million ii) Rs894.4 million	1999-2000 947 Blocks of 161 Districts in selected States	Andhra Pradesh, Bihar, Chhatisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttaranchal, West Bengal
<b>Sampoorna Grameen Rozgar Yojana (SGRY)</b>	i) wage employment, food security, asset creation ii) minimum wage paid in 5 kgs grains/man day+cash. Free grain from Centre	i) PRIs /Line Departments/State Govt Corporations ii) 50% funds to GPs through DRDAs/ZPs, 20% to ZPs, 30% to Intermediate PRIs iii) retaining samples, committees	i) rural poor (BPL and APL), preference to SC/STs, parents of withdrawn child labour ii) GPs select beneficiaries iii) none	2001-2 i) total: Rs.49,967.4 million cash: Rs24,967.4 million foodgrain: Rs25,000 million ii) data not available yet	data not available yet	all
<b>Employment Assurance Scheme (EAS)</b>	i) wage employment, asset creation ii) allocation-based, works enumerated in annual plan	i) works selected by ZP/DRDA, PRIs/local MP, MLA ii) DRDA to ZP (30%) and PS (70%). No inter-district transfer iii) spending limits, live register	i) adult rural poor, priority to endemic labour exodus areas ii) self-selection, responsibility of GP iii) none	2000-1 i) Rs19,822.7 million ii) Rs18,611 million	2000-1 218.39 million man days generated	all

16. Classified as: semi-arid (per hectare average cost: Rs2,000, watershed project cost Rs2 million); dry sub-humid (Rs3,000, Rs1.5 million); dry sub-humid (hilly) (Rs2,000, Rs2 million)

<b>Integrated Rural Dev't Programme (IRDP)</b>	i) self employment ii) credit from FIs, govt. subsidy for income-generating assets	i) DRDA/ZP, GP (prepares plan), BDO/ <i>Gram Sewak</i> (loan application) ii) funds directly to DRDA, then to beneficiaries iii) committees, field visits	i) rural BPL: 50% SC/ST, 40% women, disabled 3% ii) GS approves BPL list iii) repay loan	1998-9 i) Rs14,036.5 million (scheme discontinued in April 1999)	1998-9 1,677,182 beneficiaries percentage of women: 34.5%	all
<b>Rashtriya Mahila Kosh (National Credit Fund for Women)</b>	i) concessional credit for productive activities ii) NGOs borrow from RMK (8% r.o.i), lend to women/SHGs (12%), no collateral	i) registered NGOs, <sup>17</sup> Women's Credit Cooperatives, <sup>18</sup> SHGs ii) initial corpus of Rs310,000,000 from DoWCD iii) feedback monitoring studies, workshops, training programmes	i) SHGs <sup>19</sup> of BPL women ii) RMK selects NGOs, NGOs select SHGs iii) 10% to savings/credit society	i) corpus-based, no annual allocations ii) 1999-2000 Total loans disbursed: Rs138.46 million	since inception (1993- 31.10.01) no. of women benefited: 412,951	Andhra Pradesh, Assam, Bihar, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Pondicherry, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal

17. With 3 years experience in thrift and credit management, and 90% recovery rates  
18. With least one third women members and women in their management committee  
19. Self-Help Groups with at least one year's experience in handling credit activities

**Table 3 Summary matrix of policy history**

<b>Name of scheme, year</b>	<b>Changes introduced</b>	<b>Official rationale</b>	<b>Other factors</b>
<b>NOAPS</b> (pensions), 1995	Central government became involved in the provision of old age pensions, which so far had been the handled at State level. The resources set aside at the aggregate level were large, and States could merge existing programmes with the NOAPS, and were free to add to the pension amount if they desired. <sup>20</sup>	Provide a social security mechanism, supplement State resources	Availability of funds in the mid-1990s; need for an announcement by the PM at the World Summit for Social Development, Copenhagen, 1995
<b>IAY</b> (housing) as a sub-scheme of RLEGP, 1985	Construction of houses was to be a major activity under the RLEGP	Attend to the problem of rural housing	1985 <i>Lok Sabha</i> Elections (change announced April 1985)
<b>IAY</b> as a sub-scheme of JRY, April 1989	6% of the JRY funds for IAY. In 1993–4, its scope was extended to non SCs/ STs <sup>21</sup> and the allocation of funds raised 10%	RLEGP and NREP were merged into the JRY	1989 <i>Lok Sabha</i> elections in November (change announced June 1989)
<b>IAY</b> as independent scheme, Jan 1 <sup>st</sup> 1996	Independent centrally sponsored scheme with 80:20 share in the budget by the Centre and States.	None available	The scheme was highly popular with beneficiaries and thus considered politically beneficial
<b>ARWSP</b> (water), 1972–3	Introduced to accelerate pace and coverage of drinking water supply	To assist the States and UTs	Indira Gandhi's ' <i>Garibi Hatao</i> ' (remove poverty) pledge
<b>MNP</b> (minimum needs), 1974–5	Replaced ARWSP to provide drinking water as one of minimum needs	To secure all basic amenities within a given time frame.	Announced for the Sixth Plan
<b>ARWSP</b> (water), 1977–8	Reintroduced, MNP scrapped in 1979	The progress of drinking water supply was unsatisfactory under the MNP	United Nations Water Conference, 1977 <sup>22</sup>
<b>NDWM</b> (water), 1986	The programme was given a 'mission-mode' approach	To ensure maximum scientific input, cost effectiveness, improved performance	One of the five 'societal missions' launched by the new government in power

20. In 1998, targets under the NOAPS were doubled for the drought-prone Kalahandi, Bolangir and Koraput (KKBK) districts in Orissa. This was timed with the PM's visit to these areas in the light of about 1,500 deaths from starvation in these districts.

21. Non SCs/STs were not to exceed 4% of the total JRY allocation

22. The United Nations Water Conference at Mar del Plata (Argentina) in 1977 called for a ten-year campaign by member-countries and international agencies to provide access to safe water and sanitation for all people. 1981–90 was designated as the International Drinking Water Supply and Sanitation Decade. India as a signatory to the Resolution pledged its full support to the action plan under the International Decade.

<b>RGNDWM</b> (water), 1991	Renamed.	None provided	Renaming coincided with new government in power (1991)
<b>ARWSP</b> Restructured, 1999–2000	Project mode, aims to institutionalise community participation for sustainability of systems and sources, 63 Districts on pilot basis.	Increase sustainability of sources and supply through pilot projects	International emphasis on user charges, participation
<b>Rural Works Programme</b> 1970–1	New programme, to create assets to reduce the severity of drought and provide employment in affected areas	Suggestion of 4 <sup>th</sup> five year Plan <sup>23</sup>	Indira Gandhi's 'Garibi Hatao' pledge, series of droughts in 1960s
<b>DPAP</b> (drought-prone areas), 1974	DPAP was introduced with a view to insulating drought prone areas from recurring drought.	Suggestions of Task Force headed by Dr. Minhas and 4 <sup>th</sup> Plan mid term appraisal to enable long term drought-proofing	None
<b>DPAP</b> as an exclusive watershed development programme, late 1980s	Drought proofing was to be the major objective, non-land based activities were excluded	7 <sup>th</sup> Plan Mid Term Appraisal, 1988; Central Sanctioning Committee, 1987 suggested a greater clarity of objectives	None
<b>DPAP</b> with new guidelines, 1994	Guidelines for major watershed programmes were modified by the MoRD. Bottom-up planning with user groups involved in planning, implementation and monitoring of watershed programmes was introduced.	Recommendations of the Hanumantha Rao Committee, 1993	None
<b>EAS</b> (employment assurance), 1993	Launched for implementation in 1975 identified backward Blocks (20% of the total number of Blocks) situated in drought prone, desert, tribal and hilly areas.	Provide wage employment to the poorest sections	The success of the EGS in Maharashtra
<b>EAS</b> extended, April 1997	Universalised to cover all the rural Blocks in the country. <sup>24</sup>	None provided	Pressure from MPs/MLAs of districts not covered to extend scheme and allocate funds
<b>EAS</b> restructured, April 1 <sup>st</sup> 1999	The demand-driven nature of the scheme has been changed to an allocation basis (funds will be distributed to States/UTs on the basis of poverty indicators and number of SC/STs)	Restructured on the basis of last five years' experience <sup>25</sup>	Recommendations of Group of Ministers meeting, 1998; S.R. Hashim Report, 1999 <sup>26</sup>

23. Which suggested that GoI relief in famine-affected areas could be 'so deployed in the areas chronically affected by drought as to generate considerable employment in the rural sector'

24. Before its universalisation, the EAS had already been extended to a larger number of Blocks in 1995

25. Held on 19 December 1998

26. Professor S.R. Hashim was Member, Planning Commission

<b>FWP</b> Food for Work Programme, 1977	FWP was introduced to provide employment in drought affected areas. Food grain was paid as wages subject to the condition that durable community assets were built. <sup>27</sup> The scheme was merged into the NREP 6 months later.	To provide work particularly in slack employment periods of the year, create durable community assets (6 <sup>th</sup> Five year plan)	Droughts, grain availability due to Green Revolution
<b>SGRY</b> (rural employment), 2001	In January 2001, 0.5 million tonnes of foodgrains were allotted to drought affected areas as wages under employment generation	Employment and food security	Food grain surpluses, media attention to starvation deaths
<b>SFDA</b> Small Farmers Development Agency Scheme and <b>MFAL</b> , Marginal Farmers and Agricultural Labourers, 1971	The SFDA and the MFAL (which was merged into the SFDA in 1979) aimed to attack poverty directly by improving productivity and access to productive resources and services to poorer sections of rural community in selected backward areas	Unlike earlier initiatives <sup>28</sup> , these programmes had a distinct emphasis on the poor	' <i>Garibi Hatao</i> ' (remove poverty) – the platform for Indira Gandhi's 1971 victory
<b>IRDP</b> (self-employment), 1980	(SFDA) and (MFAL) were merged to form the Integrated Rural Development Programme (IRDP) which was extended to the entire country on a very large scale during the 6 <sup>th</sup> Plan	to permanently raise the standard of living of the poorest by imparting sustainable skills or providing income generating assets	Introduced during the Janata period 1978–80, after Indira Gandhi's defeat
<b>SGSY</b> (self-employment), April 1999	The IRDP, TRYSEM, DWCRA, SITRA, GKY and MWS <sup>29</sup> were merged into the SGSY to cover all aspects of self-employment, such as organisation into self help groups, training, credit, technology, infrastructure and marketing	Recommendations of the Hashim Committee	Widespread criticism of the IRDP
<b>RMK</b> (credit for women), 1993	Launched to provide access to community-based credit, exclusively for women	9 <sup>th</sup> Plan envisaged an institutional mechanism that would increase women's access to credit	None

27. No attempt was made to develop an inventory of projects and there were no indications for annual allocation of foodgrains.

28. During the 1960s, the focus was more on improving agricultural production, with the Green Revolution programmes – the Intensive Area Development Programme (IADP), the Intensive Agricultural Area Development Programme (IAADP) and the High Yielding Varieties Programme (HYVP). The thinking behind this focus was that agricultural productivity increases could effectively decrease poverty (James and Robinson, 2001).

29. See List of Abbreviations for full forms

## **Intended beneficiaries**

### *Target group*

The programme targets old persons who are considered destitute (that is, they have no regular means of subsistence from their own sources of income) through financial support from family members or other sources. Applicants should be over 65 years old. When the scheme was launched, each State had an initial ceiling of no more than the number constituting half the BPL population above the age of 65.

### *Selection of beneficiaries*

*Gram Panchayats* are expected to play an active role in the identification of beneficiaries under the NOAPS once the State Government has communicated targets.

### *Contribution by beneficiaries*

Beneficiaries are expected to provide certificates of age and proof of their destitute status.

## *1.1.2 Sources of weaknesses in implementation*

### **Design/administrative issues**

While the responsibility for the NOAPS at the Centre lies with the Ministry of Rural Development, responsibility at State level lies with other Departments, such as the Labour Department, Medical Department and Social Welfare Department (this varies between States). As these departments do not have day-to-day dealings with the DRDAs, the level of control exercised by the State level bureaucracy on the DRDAs is very low. This, in turn, affects ownership of the NOAPS by States. Low ownership is reinforced by the fact that money is released directly to the DRDAs, bypassing State bureaucracies.

There are too many players involved with an unclear demarcation of job responsibilities (ORG, 1998; p.25). While funds are routed through the District Collectorates, actual implementation is done by the Sub-Collectors, Sub-Division Officers or *Tahsildars*. This results in an additional tier being involved in implementation, resulting in additional paper work and delays (ibid.).

Until 1998, the Below Poverty Line list available to States pertained to 1992 (ibid. p.17). Further, this list was not available to most village *Panchayats* (ibid.). Though the list has since been updated, it is still not available to many village *Panchayats*. One of the NOAPS's major weaknesses is in the scope for arbitrary decisions over eligibility for the scheme. The non-availability of up-to-date BPL information increases the scope for confusion and possibly corruption here.

The procedure of registration for the NOAPS involves several proofs and certificates such as of age and income status, which makes it very cumbersome (Thomas, 2000; p.15)

### **Interpretation**

Responsibility for the certification of age is not clearly defined, and this causes delays in implementation (ORG, 1998).

### **Scope for political interference**

The NOAPS is reported not to be prone to political interference. This can be attributed to the lack of politically important vested interests (middlemen, for instance, are absent), which stems from design issues – mainly low amounts of individual disbursements and a delivery mechanism that limits access to large funds. However, though this has resulted in the programme being well-targeted, it is also a source of weakness to the extent that beneficiaries are not powerful enough to

exercise political pressure for the release of funds, resulting in irregular payments. ORG (1998) found that while in some States benefits were distributed once in two months, in others there was no fixed frequency for distribution. In several States, the timely release of States' contributions has proved to be a problem for the NOAPS.<sup>30</sup>

### **Scope for abuse by administrators**

The NOAPS transfers the benefits directly to beneficiaries through cheques, money orders or cash in public meetings.<sup>31</sup> One author's observations (NCS) suggest that direct income transfers such as the NOAPS are unpopular with the lower bureaucracy for this reason. Small amounts of benefits and a direct transfer mechanism without room for middlemen has led to the NOAPS being a fairly well-targeted scheme, with relatively low levels of corruption.

However the NOAPS has reported corruption during the process of the selection of beneficiaries, e.g. International Management Institute, 2001; p.113). This stems from the leverage that can be exerted by implementers on beneficiaries due to the proofs and certificates required. Evaluation studies point to the fact that potential beneficiaries often have to make several trips to relevant officials to get themselves listed as beneficiaries. A survey conducted in Kerala found that difficulties were faced due to the 'non-cooperation of officials' to certify age and 'destitution' (Centre for Management Development, 2000; p.131)

### *1.1.3 Sources of strength*

As pointed out above, the direct transfer mechanism has resulted in a low level of leakages in the actual disbursement of benefits. The low amounts of individual benefits have resulted in richer and more powerful people not being attracted to the scheme, as a result of which it is well-targeted. Another advantage of the NOAPS lies in the low handling costs of disbursements.

### *1.1.4 Policy history*

The National Old Age Pension Scheme was introduced in 1995, as part of the National Social Assistance Programme (NSAP). Until then, State governments had taken the lead in the provision of pensions.<sup>32</sup> The stated objective at the time of introduction of the NOAPS was to add to the States' resources for providing social security. The timing of the scheme however points to the existence of certain other factors as well. The mid 1990s also saw a rise in the revenues of the Government of India, from Rs1,202,790 million in 1992–3 to Rs2,072,340 million in 1996–7, which constituted an increase of 72.29% (CAG, 1998).<sup>33</sup> According to one author's observations (NCS), the presence of IAS officers sympathetic to rural development – Mr K.R. Venugopal (Secretary, Rural Development, and later, Principal Secretary to the Prime Minister) and Mr. Yugandhar (Principal Secretary to the Prime Minister), and their closeness to Prime Minister

30. Many of the views expressed in this paper derive from the observations made by one author (N.C. Saxena) during many years' service with GoI as a senior IAS officer. In what follows, they are not all individually attributed.

31. An evaluation from Orissa reports that this process functions properly, with the cash disbursed by village level workers in the presence of the *Sarpanch* at a particular date every month (International Management Institute, 2001; 113).

32. Uttar Pradesh developed an old age pension system in 1957 and Kerala set up special pensions targeting widows and the destitute in 1961. Kerala extended pensions to low income agricultural workers in 1980 – a programme that had 286,000 beneficiaries by 1986 (Cornia and Stewart, 1987; p.75). Other states, such as Tamil Nadu and Maharashtra have followed suit.

33. The rise in revenue receipts during 1996–7 is mainly attributed to an increase in corporation tax (Rs20,790 million), taxes on income other than corporation tax (Rs4,000 million), customs duty (Rs7,0940 million), union excise duties (Rs48,210 million), interest tax (Rs5,420 million), service tax (Rs1,980 million), interest receipts (Rs36,890 million), miscellaneous general services (Rs1,920 million), dividends and profits (Rs9,870 million), broadcasting (Rs2,090 million) telecommunication receipt (Rs25,060 million) and railways commercial lines revenue receipt (Rs18,810 million) (CAG, 1998). See Table 5.



Narasimha Rao,<sup>34</sup> resulted in some of these revenues being channelled to Rural Development. The Budget for 1996–7 provided an additional amount of Rs24.66 billion, with a view to increasing the availability of funds for State level social programmes. Another contributory factor to the launching of the NSAP was the need for an announcement by the Prime Minister at the World Summit for Social Development at Copenhagen in 1995.

The NOAPS was modified slightly in 1998–9 to increase the number of beneficiaries under the scheme. It was perceived as being a successful scheme – as discussed earlier, evaluation studies showed it was well targeted, and that it also performed better than the other components of the NSAP. However, coverage of the scheme remains low (Willmore, 2001). By 2000, some 5 million persons had benefited, amounting to only around 7% of a total eligible population of about 70 million. As the recent OASIS report on old age pensions in India concludes (OASIS in Willmore, 2001; p.14), '[t]he sheer number of the elderly is too large, and the resources of the State are too small, to make anti-poverty programmes the central plank in thinking about the elderly'. Policy has also been affected by the low political interest in the scheme: as one author observed (NCS), a recommendation by the Planning Commission to increase the number of people targeted under the scheme was not accepted by the policymakers.

## 1.2 Indira Awaas Yojana (IAY)

### 1.2.1 Description of the scheme

#### Broad provisions

##### *Objectives*

The objective of Indira Awaas Yojana (IAY) is to help with the construction of new houses and the conversion of unserviceable *kutcha* (temporary) houses into *pukka/semi-pukka* (permanent) houses.

##### *Modalities*

A grant of Rs20,000 per unit is provided in the plain areas and Rs22,000 in hilly/difficult areas for the construction of a new house. For the conversion of a *kutcha* house into a *pukka/semi-pukka* house, Rs.10,000 is provided. The grant is provided and the house registered in the name of the female member, or jointly in the names of both the husband and wife of the beneficiary household. The incorporation of a sanitary latrine and a smokeless *chulha* (stove) are integral requirements of the grant. Cost effective and environmentally friendly technologies, materials and designs are encouraged. The houses must be located close to the village to ensure security, nearness to workplace and social communication. They could be on individual plots or in a microhabitat approach. The availability of a drinking water supply should be encouraged.

#### Administrative arrangements

##### *Agencies responsible for delivery*

On the basis of fixed district targets,<sup>35</sup> the DRDA/ZP decides the number of houses to be constructed *Panchayat*-wise, and then informs the *Gram Panchayat*. Where they exist, local voluntary agencies with proven track records are associated with the construction of IAY houses. In

34. Venugopal, Yugandhar and Rao all belong to the State of Andhra Pradesh. The fact that Mr Yugandhar continued as Principal Secretary after Mr Venugopal also led to continuity in the pressure in favour of Rural Development.

35. State targets are based on a 50% weightage each to the number of people below the poverty line and the number of houseless people per district. District targets are based on a 50% weightage each to the number of SCs/STs and the inverse of agricultural productivity.

particular, voluntary agencies are used to popularise the use of sanitary latrines and smokeless *chulhas*.

#### *Arrangements for draw down of resources*

Central assistance is released every year to the DRDAs in two installments. The State government releases its share to the DRDAs within a month of the release of the Central assistance. IAY funds are kept in a nationalised or cooperative bank or a Post Office savings account in an exclusive account. The funds and the interest earned are operated by the DRDAs/ZPs for incurring expenditure under IAY. Payments to beneficiaries are made on a staggered basis depending on the progress of the work (the entire money is not paid to the beneficiary as a lump sum).

#### *Monitoring and evaluation*

The monitoring of the programme at State level is the responsibility of the State Level Coordination Committee for Rural Development Programmes. Officers dealing with the IAY at State headquarters are required to visit districts regularly and ascertain through field visits whether the programme is being implemented satisfactorily. Officers at District, sub-Division and Block levels must closely monitor all aspects of the IAY through visits to work sites in interior areas. At the village level, the supervision, guidance and the monitoring of construction are the responsibility of the *Gram Panchayats* who may entrust these to voluntary organisations.

### **Intended beneficiaries**

#### *Target group*

The target group for houses under IAY is people below the poverty line, subject to the condition that the benefits to non-SC/STs should not exceed 40% of the total IAY allocation during a financial year. 3% of the funds are earmarked for disabled people.

#### *Selection of beneficiaries*

The *Gram Sabha* selects the beneficiaries restricting its number to the target allotted, from a list of eligible households (i.e. all those below the poverty line). The *Panchayat Samiti* should be sent a list of selected beneficiaries for their information.

#### *Contribution by beneficiaries*

The beneficiaries are to be involved from the very beginning in the construction and have to make their own arrangements for construction to suit their requirements. They are responsible for the proper construction of the house. A committee of beneficiaries may be formed to coordinate the work. Designs should not be imposed on the beneficiary.

## **1.2.2 Sources of weakness in implementation**

### **Design/administrative issues**

The IAY is targeted at all rural people below the poverty line. However, it is impossible to provide an IAY house to all people eligible, as the number is too large (about 260 million families). There is thus a need to refine the criteria for targeting under the scheme.

The central allocation to the IAY is very large and has been increasing steadily.<sup>36</sup> However, housing may not always be a high priority among the rural poor, compared to needs such consumption smoothing and protection from cyclical vulnerability (P.V. Thomas, personal communication, 13th January 2002). There is a need to examine requirements and conditions on the ground, and make optimum use of resources allocated to rural development (ibid.). According to Nair (1999), schemes

36. As we discuss elsewhere, this has been attributed to the fact that the IAY is a popular scheme and thus politically beneficial.

such as the IAY also convey a lack of understanding on the part of the government of the social, economic and political powerlessness of the majority of rural people, whose needs and priorities are generally interpreted on the basis of politicians' and administrators' views, and not from the views of people themselves.

### **Interpretation**

The IAY is targeted at all rural people below the poverty line. However, budget constraints make it impossible to provide an IAY house to all people eligible. By 2000, some 6.7 million houses had been constructed under the IAY, amounting to less than 3% of the 260 million BPL households. As a result, there is a great deal of discretion available to those responsible for selecting ultimate beneficiaries. The Centre for Management Development (2000, p.162) found in its survey of non-beneficiaries under IAY that 'non-cooperation' of concerned officials was a major reason for their applications being rejected. The large number of eligible beneficiaries also leads to tensions within communities and is potentially divisive.

It is also reported that beneficiaries often resist the construction of a sanitary latrine, due to the belief that it is unclean to have a latrine within the house. As a result, as one author has observed (NCS), these 'spare' funds remain to be utilised at the discretion of implementing authorities often for entirely unrelated (and unaccounted) purposes.

### **Scope for political interference**

The large number of potential beneficiaries awaiting the allotment of a free house has also led to a great deal of 'local pressure' (Thomas, 2000; p.16). MLAs exercise their influence with District Collectors or Block Development Officers and make changes in the final lists of beneficiaries. Rather than the *Gram Sabha* selecting the beneficiaries, the lists of beneficiaries are often handed to the administrative machinery by MLAs (N.C. Saxena, personal communication, 1<sup>st</sup> March 2002). A study in Balasore district, Orissa, found that original lists of beneficiaries were 'modified again and again to accommodate cases' and local leaders and 'middlemen' made 'recommendations' in the selection of beneficiaries. (Advantage India, 1999; p.60) A study in Aurangabad district, Maharashtra, finds that the Minister in charge has been involved in the sanctioning of houses (ORG Centre for Social Research, 1999; V.17). Another study finds that in one village, the son of a (non-poor) ex-*Sarpanch* availed of benefits under IAY and another scheme (Centre for Advanced Research and Development, 2001; p.69).

### **Scope for abuse by administrators**

Given the large individual sums disbursed under the scheme and poor monitoring arrangements, levels of abuse are potentially high. Indeed, the involvement of local administrators in leakages and irregularities is brought out in several evaluation studies of the IAY. Test checks of accounts of DRDAs<sup>37</sup> in Haryana (conducted between May 1996 and April 1997) discovered that that 47% of all houses involved contractual agencies (against guidelines that do not allow their involvement) at the behest of the Block Development and *Panchayat* Officers and resulted in irregular expenditure of Rs28 million (CAG, 1997). This money was not recovered (ibid. p.27). Overall estimates by one author (NCS) suggest that on average, some Rs6,000 from every allocation of Rs20,000 under IAY is misappropriated through illicit 'charges' by local level administrators and falsification of invoices by contractors.

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37. Bhiwani, Faridabad, Hisar, Jind, Rewari, Sirsa and Yamunanagar

### 1.2.3 Sources of strength

The IAY scheme has political support, and in a context where schemes are continuously being changed, allocations to the Indira Awaas Yojana have been steadily increasing. Also, despite the fact that housing may not be a priority among rural people, the scheme has proved popular with beneficiaries since it has created a highly visible asset. Major advantages cited are protection from rain, a feeling of security (ORG Centre for Social Research, 1999; Pragna, 2001), a sense of satisfaction, greater social recognition, better health, and improved economic position due to savings on housing (Taylor Nelson Sofres MODE, 2001b; p.53). Beneficiaries get large sums of money with minimal contributions in return.<sup>38</sup> However, as we discussed above, this also becomes a source of patronage for local politicians.

### 1.2.4 Policy history

The Indira Awaas Yojana (IAY) was started in May 1985 as a sub-scheme under the newly launched Rural Labour Employment Guarantee Programme (RLEGP) – thus, the major tool to address the lack of shelter in rural areas was the wage employment programme, under which housing was to be a key activity. While wage employment programmes had so far focused on creating public assets, the IAY was designed to create private assets (houses) for SCs and STs as these sections were considered disadvantaged in terms of personal assets and access to public assets. The idea was to create group housing where people could live together in clusters. The responsibility for the construction of houses lay with the Block administration. The scheme was made part of the wage employment scheme as the construction of houses was also expected to generate employment.

M.D. Asthana (personal communication, 7<sup>th</sup> March 2002) attributes the launching of the scheme to factors that were not ‘entirely altruistic’ – though the bureaucrats who designed the scheme did so with the housing problem in mind (the Centre had played no role in the housing sector until that time). Rajiv Gandhi, the Prime Minister, approved the launching of the scheme, particularly the targeting at SCs/STs, as he believed this would win him political favours from these sections of the people (M.D. Asthana, personal communication, 7<sup>th</sup> March 2002). He named the scheme after his mother Indira Gandhi, who had recently been assassinated.<sup>39</sup>

In April 1989, the IAY was transferred to the Jawahar Rozgar Yojana – which was constituted by merging the two wage employment programmes in the country – the National Rural Employment Programme (NREP) and the RLEGP. The budgetary share of the IAY was fixed at 6% of JRY funds. Instructively, the timing of these transfers, which accompanied the announcements of new schemes, coincided with *Lok Sabha* elections in 1985 and 1989.

In 1992, guidelines were modified to give beneficiaries full responsibility for the construction of houses. Contractors were banned and the Block administration was to hand over construction responsibility. This change was brought about because various evaluation studies showed that newly constructed houses had been lying empty, as people did not want to shift from their current residences and away from their places of work. In 1994 the budgetary share of the programme was raised to 10% and the scope of the scheme was extended to cover other below the poverty line populations as well, subject to the condition that non-SC/STs would not exceed 4% of the total JRY allocation. In 1996, the IAY was made an independent centrally sponsored scheme with a large

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38. This is in contrast to wage employment schemes where beneficiaries are required to work, and self-employment schemes where they are required to repay their loans.

39. It is widely believed that Rajiv Gandhi was attempting to replicate his mother Indira Gandhi’s strategy – to connect directly with voters, bypassing State level political formations.

addition to its budget (see Table 8 and Figure 3). The scheme was viewed as being popular with beneficiaries, and thus a source of earning patronage and being politically beneficial. Other factors contributing to the creation of an independent scheme included the increase in government of India revenues at that time, and the presence of bureaucrats sympathetic to rural development (these are discussed earlier in Section 1.1.4).

Thus, we see that the scope and budgetary support to the IAY has been steadily expanded. In addition to the factors discussed above, Asthana (personal communication, 7<sup>th</sup> March 2002) attributes the increase in budgetary allocations partly also to pressure from local politicians to increase the stipulated size of the houses.

Interestingly, though a vast body of literature is now available which deals with the design and implementation errors in these programmes, governments seem to be reluctant to accept the results of these studies seriously (Nair, 1999). As one author has observed (NCS), the Indira Awaas Yojana has also become a bone of contention between MPs and MLAs, as MPs feel that supporters of MLAs get greater benefits at the local level, even though the scheme is sponsored by the Central government. In view of this tussle, MPs have recently demanded a quota for allotting a fixed number of houses under the scheme at their own discretion. This request has been resisted so far by bureaucrats at the Centre.

## 2. Infrastructure Schemes

### 2.1 Accelerated Rural Water Supply Programme (ARWSP)

#### 2.1.1 Description of the scheme

##### **Broad provisions**

##### *Objectives*

The ARWSP aims to extend rural water supply, evolve an appropriate technology mix, improve performance and cost effectiveness of ongoing programmes, create awareness on the use of safe drinking water and take conservation measures for sustained supply of drinking water.

##### *Modalities*

The programme promotes cost sharing in the implementation of water supply and sanitation programmes and entrusts the operation and maintenance responsibility to the users. The programme provides for 40 litres per capita per day, with additional allocations for animals in certain areas. One hand pump or stand post is installed per 250 people.

##### **Administrative arrangements**

##### *Agencies responsible for delivery*

The Public Health Engineering Departments (PHEDs) are the programme implementing agencies.<sup>40</sup> The ARWSP relies on these technical departments and does not use DRDA machinery.

##### *Arrangements for draw down of resources*

The Central assistance of ARWSP is normally released in two instalments by the Ministry of Rural Development. A needs-based approach has been put in place, with States having large numbers of 'not covered' or quality affected habitations and drought prone, desert or hard rock areas getting higher allocations.

##### *Monitoring and evaluation*

At State level, the implementation of the programme is monitored by State Level Authorities and Empowered Committees. At District Level, District Co-ordination Committees are formed to monitor and review the execution of work in the districts. Regular physical and financial reporting is expected from field functionaries.

##### **Intended beneficiaries**

##### *Target group*

The ARWSP is an area-based programme targeting Not Covered (NC), Partially Covered (PC)(less than 40 litres per capita per day of water in hand pumps) and quality affected rural habitations.

##### *Selection of beneficiaries*

Funds are allotted by the Centre to States on the basis of a weighted formula.<sup>41</sup> Subsequently, depending on the category (PC, NC or quality affected) the area belongs to, PHEDs and PRIs select locality-specific schemes.

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40. In Gujarat, Kerala, Maharashtra and UP, technical bodies similar to the PHEDs are the implementing agencies. These are the Gujarat Water Supply and Sewerage Board, the Kerala Water Authority, the Maharashtra Water Supply and Sewerage and the UP Jal Nigam, respectively.

### *Contribution by beneficiaries*

In pilot districts where participatory guidelines have been introduced, beneficiaries own and must manage the assets created, bearing all operation and maintenance costs and part of the capital cost.

### *2.1.2 Sources of weakness in implementation*

#### **Design/administrative issues**

There is a shortage of trained staff in the field. There are embargoes on recruitment in some States. The Programme Evaluation Organisation (PEO) survey (PEO, 1997) found that 11 mechanics looked after 4,000 pumps in Bijnore, UP, in the entire District. Although the Department claims to have trained 12,191 people, the PEO team did not find them in any of the 87 villages they surveyed. Training programmes for villagers have also functioned poorly.

The *Zilla Parishads* and *Gram Panchayats* also lack the technical capacity to take on the operation and maintenance of the water supply and sanitation facilities, as required by the guidelines. Even in areas where the PHED is responsible for maintenance, the PEO survey found routine maintenance activity was undertaken only in a little over one-fourth of all cases.<sup>42</sup> An ORG study conducted in Madhya Pradesh in 1998 revealed that improper repairs and non-maintenance of pumps resulting in frequent breakdowns have rendered the water supply system non-functional. On average 5–10% of all hand pumps become defunct every year. An evaluation in Bihar (Samtek Consultants, 1998) confirms that the frequency of breakdown of hand pumps is very high and hand pumps stop functioning once in 3 months. World Bank (1997) finds that government staff has paid very little attention to repairs of defunct sources – only 9% of sources needing repairs received proper attention within a fortnight. 52% of sources remained unattended for more than a year.

Implementing agencies have also complained of inadequate funding. Some States have not been able to get full Central assistance under the ARWSP, due to non-provisioning of matching State Plan funds. Bihar, for instance, has lost about Rs4,000 million of Central assistance during the last five years. Saxena (2002, p.7) points out that informal inquiries show that the Bihar government has not been able to finalise procedures for buying pipes for the last three years.

These factors have led to the poor workmanship of physical infrastructure and inability to maintain structures created, leading to the recurrence of problems at the village level (Barot, 1995). This absence of sustainability has been reflected in the inability of the ARWSP to achieve targets.

#### **Interpretation**

The categories describing the status of sources of drinking water (Not Covered (NC), Partially Covered (PC) and Fully Covered (FC)) refer only to public (belonging to or run by the State) safe water sources and do not indicate anything about the existence of other sources (Nanavaty, 2000; p.272). Thus a village with several private wells or handpumps and no public sources would be recorded as NC, and a habitation with only one public source providing less than 40 litres per capita per day of water and no private sources would be classified as PC (ibid.). An example is the Kutch region in Gujarat, which, despite an acute water shortage, has a lower number of NC/PC villages than Kheda or Mehsana, which are characterised by relative water supply abundance.

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41. This is the weighted sum of the following factors: rural population (40%), States under DDP, DPAP, HADP and special category hill States in terms of rural areas (35%), NC/PC villages (10%), quality affected villages (5%), and overall water resource availability (un-irrigated over irrigated areas, 10%).

42. 87% of Districts reported breakdowns during 1996–7, out of which repairs were undertaken for only 43%.

It is also important to note the period of the survey through which the status is assigned. Surveys conducted during the non-summer months most are likely to come up with gross underestimates of NC regions, particularly in the large arid and semi-arid regions of India (ibid. p.273).

One author (NCS) has noted that the location of the hand pumps appears to be an important factor in their maintenance. The local élite at the village level often ensure that hand pumps are installed near their own residences. In the eyes of villagers, these hand pumps are then viewed as being privately owned, and are used by the élite as a means of gaining patronage. However, this also leads to the hand pumps being better-managed.

Community participation has been highly unsuccessful in the pilot districts where new guidelines have been implemented. There is inadequate training for the job and some *Zilla Parishads* and *Gram Panchayats* have been unwilling to take over as they view it as an additional burden with no reward (World Bank, 1997; N.C. Saxena, personal communication, 15<sup>th</sup> January 2002). Users are also often not aware of a possible role they can play in managing the water supply. The unequal distribution of power among different economic and social groups, and the conflicts of interest over water (Barot, 1995) make it difficult for the community to come together and involve themselves. The role of women in drinking water has also not received appreciation (ibid.). Thus, evaluations find links between the implementing agency and the users are minimal, no cost sharing or recovery principles are in place, and community participation is virtually non-existent.

### **Scope for political interference**

As we discussed above, the installation of hand pumps has become a source of patronage distribution (Saxena, 1999; p.6). The state of Uttar Pradesh has decided to allot a quota of 25 hand pumps to each MLA and MLC. This is against the norms evolved by the Empowered Committee of the Ministry of Rural Development, which had given the right to *Gram Sabha* to select sites for the installation of hand pumps.

### **Scope for abuse by administrators**

The fact that the ARWSP involves purchases of pipes and other material at State and Divisional levels has provided ample scope for abuse by administrators. An audit review of the Rural Water Supply Programs (by the Accountant Generals of the States in 304 Divisions spread over 24 States) brought out the misuse of public exchequer funds of substantial order. Financial achievements were inflated by over Rs3,840 million, including Rs831.7 million that was diverted to activities not connected with the scheme and Rs1,519.7 million that was kept in personal or revenue accounts. There was also a persistent trend of over-reporting physical achievements. This represents some 13% of the total ARWSP allocation in 1999–2000, and provides only one measure of ineffectiveness of the programme. It would be surprising if even as little as 10% of the total allocation were effective in terms of providing a sustainable service to intended beneficiaries.

### *2.1.3 Sources of strength*

The ARWSP contributed to a substantial shift from the use of surface/sub-soil water to groundwater, leading to the conservation of the former. The programme has also contributed to the eradication of Guinea worm (ibid.)

The new handpumps (with mark II/III technology) are a source of strength as they require very little maintenance and have a longer life than earlier technology.



### 2.1.4 Policy history

The Government of India launched the ARWSP in 1972–3 to accelerate the pace of coverage of ‘problem’ villages. A National Water Supply and Sanitation Programme had been introduced as early as 1954, however the ARWSP was introduced to target villages that were hitherto untouched by the earlier scheme. It is instructive to note that the scheme was one of several launched in the early 1970s, when Indira Gandhi was putting her ‘*garibi hatao*’ (remove poverty) election plank into action, pointing to the contention that these schemes, though designed to tackle real concerns, had primarily political origins.

During 1974–5, the Minimum Needs Programme (MNP) was introduced under the Sixth Five Year Plan; under which drinking water was one of the minimum needs to be provided. As a result, the ARWSP was withdrawn. It was reintroduced in 1977–8, ostensibly due to the ‘unsatisfactory progress’ of the MNP. In parallel, however, and possibly underlying this change was the United Nations Water Conference in 1977, which recommended that each country should develop national programmes and separate the issue of drinking water from other water problems. India was a signatory to the resolution seeking to achieve targets by 1991.

In 1980, with the launch of the International Drinking Water Supply and Sanitation Decade (1981–90), financial commitments to the water supply and sanitation sector were increased. Thus until 1986 drinking water policy remained *ad hoc*, with most initiatives being State-sponsored.

In 1986 the National Drinking Water Mission (NDWM) was launched, as one of five ‘societal missions’ launched by the new government in power. It was renamed the Rajiv Gandhi National Drinking Water Mission (RGNDWM), with no other changes made, coinciding with the election of a new government to power in 1991.

In 1999–2000, a restructured ARWSP was launched in pilot districts, aiming to institutionalise community participation but with very limited success.

Drinking water policy has thus often changed; as one commentator put it – a case of chasing moving targets (Das, 2000). However this appears to have been less a process of ‘enlightened’ policy making, and more one of arbitrary changes to meet immediate needs, often unrelated to drinking water requirements on the ground, such as lip-service to international commitments and announcements during elections.

## 2.2 Drought Prone Areas Programme (DPAP)

### 2.2.1 Description of the scheme

#### **Broad provisions**

##### *Objectives*

The Drought Prone Areas Programme (DPAP) aims to mitigate the adverse effects of drought on the production of crops and livestock and the productivity of land, water and human resources. It aims to encourage restoration of ecological balance and seeks to improve the economic and social conditions of the poor and disadvantaged sections of the rural community.

##### *Modalities*

Self-help/user groups undertake area development by planning and implementing projects on a watershed basis through Watershed Associations and Watershed Committees constituted from

among themselves. The government supplements their work by creating social awareness, imparting training and providing technical support through project implementation agencies. The thrust of the programme is on capacity-building and the empowerment of the village community, ensuring the participation of *Panchayati Raj* Institutions and NGOs.

### **Administrative arrangements**

#### *Agencies responsible for delivery*

At the District level, DRDAs/ZPs act as facilitators and providers of finance and technical assistance to the people's organisations (i.e. Watershed Committees) overseeing the watershed projects.<sup>43</sup> A Project Implementing Agency (PIA) having the requisite technical and social organisational skills works with the Watershed Committee to prioritise, sequence and implement the rehabilitation over a five-year (initially, four-year) period. The PIA may be constituted by a governmental, non-governmental or private commercial agency.

#### *Arrangements for draw down of resources*

Funds are directly released to ZPs/DRDAs to sanction projects and release funds to Watershed Committees and Project Implementation Agencies.<sup>44</sup>

#### *Monitoring and evaluation*

The programme is monitored by independent evaluations sponsored by the Ministry of Rural Development.

### **Intended beneficiaries**

#### *Target group*

The programme is area-based and targets fragile areas that are constantly affected by severe drought conditions.

#### *Selection of beneficiaries*

DRDAs or ZPs select villages or watersheds for the implementation of the scheme. It should be noted that the types of interest in watershed development are unlikely to be uniform across the different categories of economic actors within villages. Those with adequate farmland (usually the élites) are likely to press for checkdams and similar structures in the lower slopes in order to raise the water tables. Those (usually the poorer strata) relying on grazing or on the sale of products (grass, fuelwood, NTFPs) from the commons are likely to prioritise rehabilitation of these (which will also have a positive effect on water tables), and in many ways do not involve more than the temporary closure of access to the resource.

#### *Contribution by beneficiaries*

The watershed community contributes to the maintenance of assets created. An elaborate institutional mechanism is clearly defined for the effective participation of local people and the *Panchayati Raj* Institutions at all stage of project management through self-help/user groups.

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43. The State government may nominate ZPs in place of DRDAs

44. Until 1999–2000, 50% of the allocation under the Employment Assurance Scheme (EAS) was to be utilised for watershed development. This provision was subsequently removed – it was argued that watershed development activity required too much preparation.

## 2.2.2 Sources of weakness in implementation

### **Design/administrative issues**

Several similar schemes to the DPAP are in existence and run parallel to the DPAP. These include the Ministry of Rural Development's Integrated Watershed Development Programme, schemes from the Ministries of Environment and Agriculture, externally aided projects, the Planning Commission's Special Area Development Programme, and schemes designed by States. Thus, different approaches and programmes have led to confusion at field level (Planning Commission, 2000). The need for a 'single national initiative' (in watershed development) was even articulated in the 1999–2000 budget speech.

The DPAP has also faced problems with identifying appropriate Project Implementation Agencies. This has been an important contributory factor to the poor outcome of the programme (Ministry of Rural Areas and Employment, 1996; p.17). There have been several hurdles to the proper implementation of the programme. Field staff had no incentives to pursue participatory approaches (ibid. p.169), and schemes have been left to be planned and executed by district level officers, with senior officers taking no interest but monitoring financial expenditure (Planning Commission, 2000; 170). This has been compounded by limited time for preparation and group formation activities (ibid. p.169). There are also few NGOs with the requisite experience, expertise and logistic support to shoulder the responsibility of watershed management (Ministry of Rural Areas and Employment, 1996; p.44)

### **Interpretation**

Feedback on the attempt to make the DPAP more participatory shows that all has not gone smoothly. As Turton and Farrington (1998; 2) note, the new guidelines '[imply] fundamental changes in conventional roles and responsibilities'. In some cases, there is still reluctance and resistance on the part of State government functionaries to pass on the responsibility of watershed management (Ministry of Rural Areas and Employment, 1996; p.10). As a report on the DPAP (ibid. p.44) states: '*There appears to be a tendency to retain the supremacy of financial control with the government departments and continue with the 'top-down' approach*'.

With respect to NGOs, there are no clear-cut criteria spelt out for the identification and selection of NGOs, with influential agencies in an advantageous position (ibid.). Neither do the guidelines contain clear or consistent criteria for the selection of watersheds for rehabilitation (Turton and Farrington, 1998, p.4).

Strict orientation to achieve physical targets has also left field staff little time to promote social organisation (ICAR in Mahapatra, 2001; p.36) and this has been particularly problematic in the large number of villages where élites seek to dominate the priorities for and processes of watershed rehabilitation.

In addition, technological norms are reported to be too inflexible, leaving farmers with little choice in the matter. A survey in 70 villages in Maharashtra and Andhra Pradesh revealed that farmers are not convinced of the need to contribute to maintenance costs, reflecting the fact that they have limited faith in the programme's effectiveness (Planning Commission, 2000: p.250).

### **Scope for political interference**

The DPAP provides minimal scope for political interference at the State or Divisional levels since funds are released directly to the Districts and bypass the State level. Further, the scheme involves no State-level tendering, the work essentially being at field level. However, local leaders at District, Block and village levels have greater power to influence the implementation of the scheme, which has often resulted in misappropriation of funds.

The lack of clarity in selection guidelines also provides scope for political directives in the selection of watersheds and/or NGOs (Turton and Farrington, 1998; p.4).

### **Scope for abuse by administrators**

There is some scope for lower level functionaries (and politicians) to indulge in the diversion of funds. Village Watershed Committees are mandated to authorise payments as various stages of work are completed. However, there is ample scope for unscrupulous officials to provide misleading information on the status of work. Large sums of money have been pumped in, but there are large leakages. Officials in the state government of Rajasthan estimate that at least 30–40 % of the money released never reached the people (Mahapatra, 2001; p.35).

### *2.2.3 Sources of strength*

The new guidelines envisage a high degree of participation and local autonomy in the design and implementation of the scheme (Turton and Farrington, 1998). Evidence from the field has identified much enthusiasm for the new guidelines, and in some cases, practical adaptations to suit local requirements (Turton, et al, 1998).

Success appears to depend on the specific context in which the scheme is implemented. C.H. Hanumantha Rao, in a review of the guidelines he helped formulate six years earlier, notes that results have been highly uneven (Rao, 2000). Sources of strength have varied – in Gujarat, committed NGOs have led to positive outcomes, in Madhya Pradesh, a tradition of community participation in tribal regions has helped, and in Andhra Pradesh, ‘political and administrative will’ to devolve responsibility has led to encouraging outcomes (ibid.).

### *2.2.4 Policy history*

The DPAP has its roots in the Rural Works Programme (RWP), which was formulated in 1970–1 with the object of creating assets designed to reduce the severity of drought wherever it occurred and to provide employment in drought prone areas. Its introduction, like other programmes in the early 1970s, was related to Indira Gandhi’s ‘*garibi hatao*’ election plank (discussed in section 2.1.4).

In 1973–4, the Rural Works Programme became the Drought Prone Areas Programme (DPAP), with a view to enabling long-term drought proofing. The decision was taken in view of the suggestions of the Mid Term Appraisal of the 4<sup>th</sup> Five Year Plan and a Task Force headed by Dr Minhas that comprehensive efforts should be made to create permanent assets to reduce the severity of drought.

By 1986–7, the DPAP had developed a large coverage of schemes and programmes such as agriculture, soil conservation, afforestation, pasture development, and sheep and wool development. This was changed in 1986–7, when in view of poor drought proofing results so far, the Mid Term Appraisal for the Seventh Plan and the Central Sanctioning Committee Report suggested a greater clarity of objectives and the narrowing down to activities to concentrate fully on drought proofing.<sup>45</sup>

The real turning point for the DPAP came, however, with the recommendations of the Hanumantha Rao Committee in 1994, which set out new guidelines intended for all watershed programmes implemented by the Government of India but taken up only the Ministry of Rural Development for

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45. Schemes were then limited to those related to land mapping, soil moisture conservation, water resource development, afforestation, cattle, fisheries and fodder development.

its schemes. The guidelines laid special emphasis on the active mobilisation and participation of the stakeholders in the programme, including planning, implementation and subsequent management. The DPAP appears to be one of the few programmes where evaluations have actually led to 'enlightened' policy making. The Hanumantha Rao Committee studied successful cases existing at the time and made recommendations based on them (Rao, 2000; p.3943). The policy change responded to the need to protect the inhabitants of acutely drought prone regions.

It is also instructive to note that the DPAP has not been the centre of much political articulation. We noted earlier that the DPAP by its design does not provide much scope for political interference or the diversion of funds at senior levels. A recent study on drought policy (Sristi, 2002) notes that MPs and MLAs from non-drought prone areas are far more articulate than the representatives from drought prone regions, and at district levels as well, the number of grievances from backward *Talukas* are very low (*ibid.*). It also notes that less than one tenth of the members were present in the parliament when discussion on drought was taking place during 1987. Thus, though political pressure for radical policy change is lacking, it is possible that this results in low interference with changes initiated through a mechanism of evaluations.

## 3. Wage Employment Schemes

### 3.1 Sampoorna Grameen Rozgar Yojana (SGRY)

#### 3.1.1 Description of the scheme

##### Broad provisions

##### *Objectives*

The objective of the Sampoorna Grameen Rozgar Yojana (SGRY, Rural Employment Scheme) is to provide additional wage employment in rural areas and promote food security, along with the creation of durable community, social and economic assets and infrastructure development.

##### *Modalities*

Under the scheme, 5 kgs of food grains (in kind) will be distributed as part of wages per man-day. The provision of 5 million tonnes of foodgrains (worth Rs50 billion) every year to the States/UTs free of cost has been made. The Rs50 billion is to be utilised (thus creating an additionality) to meet the cash component for material costs and remaining wages (so the sum of wages and food grains ensures the payment of minimum wages). The State governments are free to calculate the cost of food grains paid as part of wages, at BPL (below the poverty line) rates, APL (above poverty line) rates or anywhere between the two rates.<sup>46</sup> The works undertaken must be labour-intensive, leading to the creation of additional wage-employment, durable assets and infrastructure.<sup>47</sup>

##### Administrative arrangements

##### *Agencies responsible for delivery*

The Ministries of Food, Agriculture and Rural Development are involved. The Food Ministry releases grains at the direction of the Agriculture Ministry, while the Rural Development Ministry is responsible for administration and supervision. The scheme is executed by *Panchayati Raj* Institutions (PRIs) and line departments at all levels. No contractors, middlemen or intermediate agencies are employed for executing works under the scheme.

##### *Arrangements for draw down of resources*

The Department of Rural Development releases 50% of the total funds to the *Zilla Parishads* (20%) and Intermediate Level *Panchayats* or *Panchayat Samitis* (30%). The remaining 50% of the funds are released to the *Gram Panchayats* through DRDAs/*Zilla Parishads*. The Department of Rural Development releases funds for the foodgrains directly to the Food Corporation of India (FCI) at the economic cost. At District level, the Project Director, DRDA will coordinate the release and distribution of stocks under the programme. No payment will be required to be made to the FCI at the depots for lifting the food grains

##### *Monitoring and evaluation*

Upon receiving a complaint about the quality of food grains, a sample from the field is compared with a sample packet that is retained at the FCI depot, and if necessary, action is initiated against all responsible. The States/UTs governments are held accountable for the implementation of the

46. A two-tiered pricing structure is in place under the Government of India's framework for the distribution of the food grains it procures – for families below the poverty line (BPL) and above the poverty line (APL).

47. Particularly those which would assist in drought-proofing, such as soil and moisture conservation works, watershed development, promotion of traditional water resources, afforestation and construction of village infrastructure and link roads, primary school buildings, dispensaries, veterinary hospitals, marketing infrastructure and *Panchayat Ghars*.

programme. The programme is regularly monitored by the Department of Rural Development through periodical reports, vigilance and monitoring committees and visits by officers of the State government and by area officers of the Ministry of Rural Development.

### **Intended beneficiaries**

#### *Target group*

The programme is self-targeting and is available to rural poor (BPL or APL) who are in need of wage employment and are willing to take up manual and unskilled work. Preference is given to the poorest of the poor, women, SC/STs and parents of child labour withdrawn from hazardous occupations.

#### *Selection of beneficiaries*

The *Gram Panchayat* selects beneficiaries during the *Gram Sabha*.

#### *Contribution by beneficiaries*

None

### *3.1.2 Sources of weakness in implementation*

#### **Design/administrative issues**

The involvement of three central Ministries has led to problems of coordination and a dilution in their sense of ownership (N.C. Saxena, personal communication, 13<sup>th</sup> February 2002). For instance, the Ministry of Rural Development has delayed the release of funds for the material component of the scheme.

The SGRY, like other wage employment programmes, is based on the assumption that productive activities are labour-intensive. However, this limits the range of activities that can be undertaken, e.g. watershed development activity. In practice, common wage employment activities such as road construction or the construction of school buildings or *Panchayat Ghars* are not labour-intensive.<sup>48</sup> The scheme also faces problems with inadequate arrangements for the prompt movement, local storage, and substandard quality of foodgrains.

#### **Interpretation**

There is still some confusion over whether the FCI must release food grains before or after the Ministry of Rural Development releases funds. Each Ministry tends to interpret this confusion to its own advantage, leading to delays.

#### **Scope for political interference**

Political factors affect the release of funds from the Ministries – funds are released without delay in cases where food crises are considered politically threatening, while at other times the delayed release of funds goes unnoticed.

#### **Scope for abuse by administrators**

Given that it is difficult to pocket food grains, the scope for leakages is limited. Even if a supervisor were to fudge a muster roll inflating the number of people who benefited, he would still have to sell the saved food grain to benefit himself, which would be difficult (Saxena, 2002; p.8).<sup>49</sup> However, at

48. Saxena (personal communication, 7<sup>th</sup> April 2002) points out that the philosophies behind the two types of activities are also quite different: while labour intensive activity such as forestry and soil conservation requires a horizontal participatory approach, capital intensive activities such as the construction of roads are more in line with prevalent hierarchical relationships.

49. In any case, there would be an increase in the supply of food grains in the open market, leading to lower prices with potential benefits to the poor.

levels below the district level, the responsibilities for storage, transportation and distribution of foodgrains are handed over by the States to contractors and fair price shops, as the States do not have adequate institutional arrangements for the same. These contractors and fair price shops have an incentive to be involved when there is a difference between the price the FCI charges and the market prices, as they are able to (illegally) siphon off and sell a portion of the foodgrains.<sup>50</sup>

### 3.1.3 Sources of strength

An important source of strength to the SGRY is the current (and projected) food grain surplus in India.

### 3.1.4 Policy history

The Food for Work Programme (FWP) was introduced in 1977 to provide employment in drought-affected areas. According to M.D. Asthana (personal communication, 7<sup>th</sup> March 2002), the impetus for this programme came from the idea that surplus food grains (envisaged at the height of the Green Revolution) could be used to create permanent rural assets. Thus, food grain was paid as wages subject to the condition that durable community assets were built. The programme continued for six months in drought prone areas before it was merged with the NREP, a wage employment programme. Though State governments still had the option to pay part of the wages under the NREP in kind, this option was rarely exercised. No attempt was made to develop an inventory of projects and there were no indications for the annual allocation of foodgrains (Mahapatra, 2001), and the programme was forgotten.

Recently, however, the Food for Work programme was relaunched as the Sampoorna Grameen Rozgar Yojana (SGRY). In January 2001, 0.5 million tonnes of foodgrains were allotted to drought affected areas as wages under employment generation programmes. There re-launch was largely driven by huge, current food surpluses. It is interesting, however, to examine the policy decisions that have led to this surplus.

India's publicly organised food distribution system combines a policy of procurement of food at cost-plus support price with a policy of distribution at pre-determined prices through an extremely unevenly developed and limited public distribution system (PDS).

The price support objective has meant that the government is committed to sustaining a 'Minimum Support Price' (MSP) at which it procures food grain from farmers. The Minimum Support Price is politically important, as it caters to the rich farmer lobby. This ensures that there is little change in the support price. In fact, the farmer lobby has even succeeded in getting the ruling BJP-led coalition to undertake procurement at prices higher than the minimum support prices recommended by the Commission for Agricultural Costs and Prices (Chandrashekhar, 2001). In addition, the 1990s had a series of good monsoons, which helped keep marketable surpluses of food at relatively high levels (ibid.). The result was rising levels of procurements (see Table 7).

These high levels of procurement by the government have coincided with a dramatic fall in the offtake from the Government's PDS. This has its roots in the decision to substantially raise the issue prices of food and reduce the food subsidy to the 'non-needy', prompted by a concern over India's

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50. However, when market prices fall, they are reluctant to shoulder this responsibility and in turn, States are reluctant to 'lift' grains from the Centre, even though they are provided free of charge under the SGRY by the Centre to the States. This can be explained by the fact that domestic production has reached a level which is much more than what the market or public distribution system can absorb, leading to falling market prices (Ministry of Finance, 2001; p. 93). The differential between the subsidised prices and market prices has thus narrowed.



fiscal deficit (Chandrashekhar, 2001). The budget for 2000–1 linked the issue price of food distributed to the APL, or ‘non-needy’, sections of the population to the economic cost of food procured and distributed by the Food Corporation of India. The BPL prices were also fixed at half of the APL price, which resulted in a substantial hike as well. What this resulted in was a fall in the offtake from the distribution system by most APL consumers and some BPL consumers given the prevailing low market prices (Chandrashekhar, 2001). The ultimate effect was a build up of large amounts of surplus grain stocked with the FCI.

The SGRY is being viewed as a way of increasing the total domestic demand for food. However, as Drèze points out, there is an important structural constraint. Such a programme cannot be self-financing (for the cash component of wages and ‘overheads’). If food stocks are released on the market, food prices will fall. Whatever food the government may sell to generate cash resources will, in effect, have to be bought again to sustain the official MSP (Drèze, 2001; p.3). Thus, the government will need to generate independent cash resources for cash components under the scheme.

## **3.2 Employment Assurance Scheme (EAS)**

### *3.2.1 Description of the scheme*

#### **Broad provisions**

##### *Objectives*

The primary objective of the EAS is to provide gainful employment in manual work during the lean agricultural season. The secondary objective is the creation of community, social and economic assets for sustained employment and development

##### *Modalities*

Expenditure is in the ratio of 60:40 for the wage and non-wage (materials) components. Works are selected and incorporated into an Annual Plan by *Zilla Parishads* after consultations with elected representatives of the areas, or, in the absence of elected bodies, a committee comprising local MPs, MLAs and other elected representatives. Minimum wages are paid in cash. The State governments, however, may provide food-grains as a part of wages if there is demand for it, by making their own local arrangement and by utilising their own resources towards subsidy, if any. No works should be taken up under the programme if the demand for the wage employment can be fulfilled under other plan or non-plan works.

#### **Administrative arrangements**

##### *Agencies responsible for delivery*

The *Zilla Parishads* are responsible for entrusting works to the implementing agencies, supervision and coordination of works, and furnishing necessary reports to the State and Central governments through the DRDAs. The implementing agencies for the EAS within a district can be any line department, corporation of the State Government or *Panchayati Raj* Institutions (PRIs) at all three levels. Contractors, middlemen and other intermediate agencies are not permitted.

##### *Arrangements for draw down of resources*

Central assistance is released every year directly to the DRDAs, who in turn release 30% of the district allocation to the *Zilla Parishads* and 70% to the *Panchayat Samitis*. The State governments release their matching share to the DRDAs within a fortnight after the release of Central assistance. The EAS funds (Central and State shares) are kept in a nationalized bank or a Post Office in an

exclusive and separate savings bank account by the DRDAs/*Zilla Parishads* and *Panchayat Samitis*. The transfer of resources between districts/*Panchayat Samitis* is not permitted. Payment of wages to beneficiaries is made on a fixed day of the week, preferably a day before the local market day, in the presence of village *Pradhan* or *Sarpanch*.

#### *Monitoring and evaluation*

The *Zilla Parishad* or *Panchayat Samiti* is empowered to withhold the release of funds to implementing agencies and to initiate action against concerned officials if minimum wages are not paid to workers. Each *Panchayat Samiti* maintains an employment register open to the scrutiny of the public with details of the persons employed, based on muster rolls maintained work-wise. The *Zilla Parishads* maintain a similar employment register. Separate records are maintained by the *Zilla Parishad* and the *Panchayat Samitis* of funds utilised for maintenance of assets.

### **Intended beneficiaries**

#### *Target group*

The EAS is open to all adult rural poor who are in need of wage employment. A maximum of two adults per family is allowed. Preference is given to Scheduled Castes, Scheduled Tribes and parents of child labour withdrawn from hazardous occupations, who are below the poverty line.

#### *Selection of beneficiaries*

Beneficiaries self-select themselves into the programme. The *Gram Panchayat* registers them.

#### *Contribution by beneficiaries*

None

### *3.2.2 Sources of weakness in implementation*

#### **Design/administrative issues**

The inability of the States to contribute their matching shares for the EAS has resulted in several Blocks in the country not receiving their allocation of funds (Planning Commission, 2000; p.216).

Transparency is minimal, and the needs of the village are not taken into consideration while deciding the works (Mahapatra, 2001; p.38).

Another important drawback that cannot be resolved unless guidelines are changed, is that it is technically not possible to create, as the guidelines stipulate, a labour component of 60 % for the works selected, such as roads and construction as these are capital-intensive activities. The labour component is high only for works such as watershed development and afforestation, which require 'earth work'. Further, evaluation studies suggest that successful outcomes from such types of activity require time and effort for social organisation and peoples' participation.

#### **Interpretation**

Incentives facing staff implementing the scheme have led them to interpret their roles accordingly. Field staff have learnt to report figures in the manner expected of them, that is, they must show that targets have been fully achieved irrespective of what the ground situation is (Planning Commission, 2000; p.217). District Collectors are under pressure to furnish utilisation certificates so that States are able to draw further installments from the Centre. Money is considered to have been spent once it is allotted to *Panchayats* from Districts, even when no physical expenditure has taken place (ibid. p.217)

Poor monitoring has led to Central guidelines being willfully neglected. The EAS is being executed through contractors in most States in violation of the guidelines, the specified ratio for wages and material components is not being followed, and muster rolls are not being maintained by the *Gram Panchayats* (ibid.).

### **Scope for political interference**

The District Collectors exercise considerable discretion in the decision to place EAS with departments which are undertaking works, giving rise to scope for political interference. Strictly, the Collector must seek funds from the concerned Ministry once people seeking work has registered and a project report is prepared. However, in practice, it is often the Collector who receives the funds first and then decides where and with which department to place the funds, and this decision is often influenced by political considerations (ibid.). Thus, money is often diverted from areas that need it (Mahapatra, 2001; p.38). After 1999, the power of the Collectors over the funds was reduced, with funds now allocated to District and Block level *Panchayati Raj* Institutions.

There is also competition among States to get the maximum share of the programme. Prior to 1999, money was allocated on the basis of applications to the Centre; funds were allocated to States that could show they were utilising the money. As one author (NCS) notes, politically powerful States like Andhra Pradesh receive a major share.<sup>51</sup>

### **Scope for abuse by administrators**

The fact that the programme leaves money in the hands of the bureaucracy has resulted in leakages and encouraged corruption. The CAG reports in its audit of the EAS that money allotted to the scheme was diverted to personal accounts. This, compounded by the involvement of contractors in the procurement of materials, has led to very little of the wage component actually reaching beneficiaries.

In addition, capital-intensive works undertaken provide ample scope to misrepresent employment figures and divert the wage components. It is interesting to note that the more labour-intensive watershed development works have rarely been undertaken under the EAS, despite the fact that they could generate considerable employment.<sup>52</sup>

The Mid-Term Evaluation estimates that only 15 of every 100 rupees reach the beneficiaries as wages, against the 60 rupees they are entitled to. The CAG audit on EAS States found that on average, each person was provided with 18 and 16 days of employment during 1994–5 and 1995–6, respectively. Though the guidelines stipulate that people must be given work if they need it and the process should be ‘bottom-up’, in effect funds are allocated, projects are decided, and then people are employed.

### *3.2.3 Sources of strength*

Since 1999, as we discussed above, the EAS is no longer ‘need-based’ – inter-state allocations of funds are now decided by poverty criteria rather than the ability to show a demand for funds, which had ended up benefiting lower powerful States.

51. In some States, money from centrally sponsored schemes is often used by as general budgetary support, though this phenomenon is less pronounced when money goes directly to the district level (DRDAs). (One author (NCS) notes that exceptions include the States of West Bengal and Orissa, which regularly transfer DRDA money to their State treasuries). The fungibility of transfers from Central government to the States has become increasingly prominent in the context of increased fiscal deficits at State levels.

52. As noted earlier, watershed development activity was removed from the EAS in 1999–2000.

The power allocated to District Collectors has also been considerably reduced – funds have now gone to District and State level *Panchayati Raj* Institutions.

### 3.2.4 Policy history

The EAS was first conceptualised by the bureaucrats who designed it as a scaled up version of the Employment Guarantee Scheme (EGS) in Maharashtra.<sup>53</sup> However, this was not politically acceptable and the promise of a ‘guarantee’ was diluted into an ‘assurance’ (M.D. Asthana, personal communication, 7<sup>th</sup> March 2002),<sup>54</sup> though the EAS would attempt to extend key features of the EGS (Visaria, 1998). Launched in 1993, it was to target the poorest districts and provide demand-driven, need based wage employment. Another wage employment scheme, the Jawahar Rozgar Yojana (JRY) was already running – however the EAS was to focus only on the poorest districts and operate through the line administration (with the District Collector and DRDA handling funds) unlike the JRY which operated through the village councils in every district of the country.<sup>55</sup>

An immediate problem was faced when the EAS was to replace the JRY in the poorest districts (M.D. Asthana, personal communication, 7<sup>th</sup> March 2002). Since the JRY was already in progress, there were complaints that it would be impossible to end it suddenly. Thus, both wage employment programmes started to coexist, and this remains the case even today.

The EAS also presents an interesting case study in the political contestation around development funds. Though it was originally intended to cover areas where there were serious problems of underemployment and unemployment due to specific factors such as drought, the programme was ‘universalised’ or extended to all Blocks of the country in 1997, with no explicit explanation provided. (This seems especially surprising given the fact that the JRY – a wage employment programme – was already operational in all Blocks of the country.) What explains this decision is the political compulsion the Government of India felt to bow to pressure from political representatives from areas the original EAS did *not* target. In effect, the earlier programme meant some areas (poorer and more drought prone) received more development funds through the EAS. This was not acceptable to those excluded, and the programme was universalised. Sarma (2001) points to the ‘indiscriminate extension of programme coverage’ and notes that this feature is shared by other development programmes as well. He also notes that after the extension of the EAS, the programme was ‘diluted’ and expenditure became highly inefficient (*ibid.*).

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53. The EGS is a unique model of a public works programme that guarantees employment to all rural adults over 18 who are willing to do manual unskilled work on a piece rate basis. The government is obliged to provide suitable work within 15 days of demand, otherwise it has to pay unemployment benefit per day until such work is provided. Additionally, if the job offered is beyond 8 kilometres of the workers’ village, the government has to provide a specified set of amenities (including housing and childcare facilities) (IDS Case Study of EGS, n.d.)

54. A Case Study of the EGS notes that the political context that enabled such a radical scheme to be adopted in Maharashtra (progressive politicians and social activists) is unlikely to be found in other Indian States (IDS, n.d.). In addition, the scheme is funded through a tax on professions, and the potential for high revenues to be raised through such a tax in other States is questionable (*ibid.*) The scheme generated 0.18 million man-days every day in 1985–6 and 1986–7 (the total number of poor families in Maharashtra at that time is estimated to be about 6 million).

55. Under the JRY, village councils select works and implement them. 70 % of the funds under the scheme goes straight to the village council.

## 4. Self Employment Schemes

### 4.1 Integrated Rural Development Programme (IRDP)

#### 4.1.1 Description of the scheme

##### **Broad provisions**

##### *Objectives*

The objective of the IRDP was to provide suitable income generating-assets through a mix of subsidy and credit to bring families above the poverty line.

##### *Modalities*

Assistance is provided through a mix of subsidy and bank loan. The Centre and States share expenditure on the subsidy on a 50:50 basis. The subsidy ceiling is Rs4,000 in normal areas, Rs5,000 in desert and drought prone areas and Rs6,000 for SCs/STs and physically handicapped persons. Institutional credit is made available by commercial banks, co-operative banks and regional rural banks.

##### **Administrative arrangements**

##### *Agencies responsible for delivery*

A plan is prepared at the *Gram Panchayat*/Block level, keeping in view the family's preference for income-generating activities, skill and local resources. Loan application forms are available from District Rural Development Agencies (DRDAs), Block Development Officers (BDOs) and *Gram Sewaks*. The role of officials of the State government as well as those of the banks as per the guidelines of the programme is that of facilitators and service providers.

##### *Arrangements for draw down of resources*

Funds are released directly to the District Rural Development Agencies (DRDAs) to be utilised for providing subsidies on loans to households living below the poverty line.

##### *Monitoring and evaluation*

At Block/DRDA level, monitoring is done through field visits and physical verification of assets for which an inspection schedule for the District and Block functionaries has been laid down. The State Level Coordination Committee (SLCC) at State level and the Central Level Coordination Committee (CLCC) at Central level monitor and review the implementation of the scheme. Progress under the IRDP is being monitored on a monthly, quarterly, half-yearly and annual basis through reports and returns submitted by DRDAs/States. Over and above this, the implementation of the Programme is monitored through the annual Project Directors' Workshop and periodic meetings with the State Secretaries.

##### **Intended beneficiaries**

##### *Target group*

Small and marginal farmers, agricultural labourers and rural artisans below the poverty line were targeted. Within this group, there was an assured coverage of 50% for SC/STs, 40% for women and 3% for the physically handicapped.

*Selection of beneficiaries*

Families below the poverty line are identified through a household census undertaken at the beginning of the Plan period. This is followed by selection of beneficiaries in *Gram Sabha* meeting where the entire village community is present.

*Contribution by beneficiaries*

None

*4.1.2 Sources of weakness in implementation***Design/administrative issues**

The IRDP and its allied programmes presented a matrix of multiple programmes without desired linkages (Planning Commission, 2000; p.137). They were implemented as separate programmes without keeping in mind the overall objective of generating sustainable incomes (ibid.). In addition, the administrative machinery to monitor local physical investment opportunities against which credit disbursement targets could be fixed simply did not exist (Planning Commission, 2000: p.140).

There was also no provision for insurance against risk factors beyond the control of the debtor, such as death of cattle, which led to the non-repayment of loans. (Centre for Advanced Research and Development, 2001; p.44). The IRDP met with greater success in areas where infrastructure was in place and markets were well developed. However, these were regions where people would have taken to entrepreneurial activities even without the subsidy (Planning Commission, 2000). The IRDP also did not take into account the disabilities from which the poor suffer, notably their exclusion from community decision-making, illiteracy and lack of skills (ibid. p.138). Many beneficiaries could not retain the asset for long; for some who did retain it, the income generated was not enough to cross the poverty line.<sup>56</sup>

Another problem with the IRDP was that it did not encourage even miniscule savings. For this reason, IRDP credit often got diverted to emergency consumption needs (Planning Commission, 2000; p.140)

**Interpretation**

Bureaucratic procedures were reported to be too complex and beyond the comprehension of beneficiaries in collecting the subsidy (Planning Commission, 2000; p.138). Notwithstanding the elaborate criteria of identification of BPL families by the *Gram Panchayat*, instances of the non-poor getting selected and the poor being left out were frequent (ibid.).

**Scope for political interference**

The large element of subsidy available under the IRDP led to rich customers being attracted to the scheme (ibid. p.138) and provided politicians at both local and national levels with an opportunity to derive political mileage out of the patronage opportunities that arose. Political considerations dictated the disbursal of the subsidised loans, leading to high rates of default and poor recovery rates. A study by the World Bank (1998b, in Planning Commission, 2000; p.138) found that almost no IRDP beneficiary in the sample surveyed satisfied the eligibility criteria: their participation in the programme came through political interference and decisions by some bank officials to ignore repayment records.

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56. The Mid-Term Appraisal reports that loans were sanctioned to buy goats, however the animals were sold and the proceeds used for other purposes (Planning Commission, 2000; p.138). Other schemes like blacksmithing and carpentry faced difficulties such as scant supplies of raw materials and absence of proper marketing facilities (ibid.).

### **Scope for abuse by administrators**

The IRDP has been characterised by large-scale corruption on the part of the lower level functionaries (who certify that beneficiaries are below the poverty line), by bank staff and by borrowers themselves (Planning Commission, 2000; p.138). A review in West Bengal (394 households in Bankura district) found that banks in the sample improperly deducted 10% of the loan as charges, and most beneficiaries were told or perceived that they need not repay the loan portion (World Bank, 1998b in Planning Commission, 2000: p.138). A sample of 312 'weak' borrowers in Tamil Nadu showed 'incidental expenses' and 'speed/quick or push money' amounting to Rs21 for every Rs100 of subsidy. About two-thirds of this sample also reported 'working' for the subsidy and producing 'quick money' in addition to covering normal expenses (ibid.). A study in Orissa found that officials directly supply the material, instead of cash, through either a middleman or a supplier (International Management Institute, 2001; p.xxv). Another study in a Tamil Nadu district found that the most common problems cited by beneficiaries are demands for bribes, and the necessity of repeated visits to the concerned officers and bank (Taylor Nelson Sofres MODE Pvt. Ltd., 2001b; p.79).

#### *4.1.3 Sources of strength*

Self-employment schemes such as the IRDP potentially score over wage employment schemes in that they lead to a sustainable independent income source if they are successful.

#### *4.1.4 Policy history*

The IRDP traces its genesis to the early 1970s, with the launch of the Small Farmers Development Agency (SFDA) and the Marginal and Agricultural Labourers (MFAL) scheme. Unlike earlier initiatives, these programmes had a distinct emphasis on the poor, and had their origins in Indira Gandhi's call for '*garibi hatao*' (remove poverty). These programmes aimed to attack poverty directly by improving productivity and access to productive resources and services to poorer sections of rural community in selected backward areas. In 1980, they were merged into the Integrated Rural Development Programme (IDRP), with the explicit aim of permanently raising the standard of living of the poorest by imparting sustainable skills or providing income-generating assets. The IRDP was introduced in the Janata period after Indira Gandhi's rule.

From 1980 to 1999, the IRDP continued unchanged, despite serious questions about its impact right from the end of the Sixth Plan term (1985). By 2000, loan recovery had fallen to only 31%. We noted earlier that politicians at both local and national levels were provided with an opportunity to derive political mileage out of the patronage opportunities that arose from the scheme due to its large subsidy component and poor institutional arrangements for monitoring. Whether or not the continuation of the IRDP for twenty years reflects these politics of patronage on a grand scale, what is clear is that policy makers continued for very long to ignore the literature showing that most of the benefits under the scheme were captured by a pre-existing élite.

In April 1999, the IRDP was finally discontinued and was replaced by the Swarnajayanti Gram Swarozgar Yojana (SGSY) (Golden Jubilee Rural Self-Employment Programme) which was formed by merging the IRDP with its subsidiary programmes, the stated objective being the creation of a 'holistic' self-employment programme, avoiding the earlier situation of a multiplicity of programmes without desired linkages. The SGSY also replaces the predominant focus on individuals and recognises the self-help group (SHG) as the basic unit for the delivery of subsidies and loans. Though initial evaluations are encouraging, the element of subsidised credit remains a cause for concern.

## **4.2 Rashtriya Mahila Kosh (RMK)**

### *4.2.1 Description of the scheme*

#### **Broad provisions**

##### *Objectives*

The Rashtriya Mahila Kosh (RMK) aims to make credit available at concessional rates of interest through voluntary organisations to women for sustainable income-generating opportunities and to provide a simultaneous package of social development services along with finance for the empowerment of women.

##### *Modalities*

The RMK adopts a quasi-informal delivery system, which is client-friendly, uses simple and minimal procedures, disburses quickly and repeatedly, has flexibility of approach, links thrift and savings with credit and has low transaction costs both for the borrower and for the lender.

Loans are given at an 8% rate of interest to NGOs, who have already mobilised savings and lent money to individual borrowers. The NGOs then lend to women or self help groups at a 12% rate of interest with interest on the loan paid every quarter. 25% of the amount is generally given as a medium-term loan and the remaining 75% on a short-term basis. No collateral is required. The ceiling for a short-term loan (6–15 months) is Rs4,000 per beneficiary and Rs6,000 per beneficiary for a medium-term loan (2–5 years).

#### **Administrative arrangements**

##### *Agencies responsible for delivery*

NGOs, Women's Development Cooperatives and Women's Development Corporations, and the self-help groups to whom they lend implement the scheme.

##### *Arrangements for draw down of resources*

The Ministry of Human Resource Development has set up an initial corpus of Rs310,000,000, which is operated by the RMK.

##### *Monitoring and evaluation*

The RMK aims to continuously learn from field experience. It provides for regular feedback through monitoring studies, regional and annual workshops, and training programmes.

#### **Intended beneficiaries**

##### *Target group*

The RMK targets women below the poverty line. Self-Help Groups should have at least a year's experience of handling credit activities.

The NGOs involved should have at least three years' experience in thrift and credit management with women, with a recovery performance of at least 90% each year. Women's Development Corporations and Cooperatives involved should have female membership of at least one third and should have women in their management committee. Cooperatives should be working in profit.

##### *Selection of beneficiaries*

Beneficiaries are identified by NGOs.



### *Contribution by beneficiaries*

Non-governmental organisations are required to contribute 10% of the loan to the *Kosh* (fund) as a margin. SHGs must contribute 10% of the loan towards saving and credit societies.

## *4.2.2 Sources of weakness in implementation*

### **Design/administrative issues**

The RMK is likely to face budgetary constraints as it attempts to expand operations, primarily because there appears to be a low priority given to women's schemes in Plan allocations. Rs81,00,000 was added to the RMK corpus in 1997–8, but this can be considered a mere token addition to RMK's resources keeping in view its objectives and the number of women borrowers who are likely to profitably use the credit it extends (Buch, 1997; p.16).

The RMK also lacks the organisational structure and adequate expertise to fulfill its stated objectives. Its staff comprises 18 regular workers, of whom 11 are supporting clerical and office staff (ibid.).

### **Interpretation**

An ad-hoc approach has been adopted to provide interest relief for the period from when the credit is disbursed to NGOs to the time it reaches beneficiaries. There is a lack of clarity in the approach here – a 10-day relief is available which is extendable to 15 days in cases of 'merit'. In some cases, the RMK has also not been imposing penal interest for delays in disbursements (the NGO SPARC in Mumbai is an instance). This also points to a tension between the RMK's profitability objectives and the concerns of NGOs seeking to waive interest till the credit reaches NGOs.

### **Scope for political interference**

The management of the RMK has a large presence of government officials, including State Secretaries on annual rotation. This provides a lever for political interference, though evaluation studies have not brought out instances of such interference yet.

### **Scope for abuse by administrators**

Scope for diversion of funds by administrators is minimal. This is discussed below.

## *4.2.3 Sources of strength*

The scope for diversion of the Rashtriya Mahila Kosh funds is minimal, primarily due its goal orientation. Repayment rates have been high and, crucially, there is no subsidy that could attract richer and more powerful customers.

## *4.2.4 Policy history*

The Rashtriya Mahila Kosh was launched in 1993 to provide access to community-based credit exclusively for women. It fulfilled the need for an institutional mechanism that would increase women's access to credit, envisaged in the 9<sup>th</sup> Plan.

**Table 4 Impacts of design characteristics on outcomes**

Design characteristic	Capacity		Political influence		Administrative abuse	
	<i>Strength</i>	<i>Weakness</i>	<i>Strength</i>	<i>Weakness</i>	<i>Strength</i>	<i>Weakness</i>
<b>Target group</b>		Large target groups such as entire BPL cannot be supported by budgets; demand-driven targeting leads to competition between States, and those with limited resources cannot provide matching funds	Politically important target groups get higher budgets/ regular disbursements	Area-based targeting leads to political pressure to be included; Politically important target groups make change difficult		Too broad a target group vis-à-vis resources leads to discretion for administrators
<b>Selection procedure</b>	Local NGOs have potentially better local information to select the needy			Choosing beneficiaries based on BPL lists results in political dictates in their creation		Cumbersome registration procedures; emphasis on lists provide discretion and leverage to administrators
<b>Nature of implementing agency</b>	NGOs have networking and information advantages. SHGs provide flexibility to beneficiaries	Experienced NGOs are often lacking; line depts. for SC/STs and women are under-developed /understaffed; bureaucratic inertia may affect devolution of powers; too many Ministries dilute accountability	Presence of politically important middlemen leads to regularity of disbursements	Involvement of local governments often leads to selection of local élite		Weak incentives for bureaucrats to perform duty; presence of middlemen (such as contractors) lead to large 'leakages' before reaching beneficiaries

<b>Arrange-ments for draw down</b>	Post office savings accounts have wide reach	Poorer States cannot provide matching shares of funds/utilise existing funds; direct transfers to DRDAs bypassing the State level lead to poor State level ownership of schemes		Transfers from the Centre to States are liable to be fungible	Transfers to beneficiaries' bank accounts/post office accounts minimise 'leakages'	Direct transfers to District level banks and then DRDAs lead to excess discretion with funds at these levels and below
<b>Nature of disbursement</b>		Storage capacity for grain disbursements are poor below	Small amounts and/or low proportions of subsidy vis-à-vis loans do not attract powerful sections	Large amounts generate interest and political pressure, even more so if there is a large subsidy component	Food grains are more difficult to siphon away	Wage payments in cash are easy to pocket and embezzle
<b>Procedures involved</b>	A degree of flexibility provided to beneficiaries improves their participation in schemes	Maintenance of public or community structures created require technical staff who are often in short supply; 'social organisation' takes time, especially when there are no such traditions	'Earth work' not prone to political influence at higher levels	Large purchases involving tendering at State or Divisional levels prone to political dictates; community assets risk capture by political élite		Capital-intensive asset creation activity leads to fudging of wage bills; muster rolls can be easily fudged
<b>Clarity of guidelines</b>	Common guidelines for schemes with similar objectives reduce confusion at the field level	Unclear guidelines lead to delays, even if there is no willful abuse	Interference is reduced when credit schemes have goal-oriented guidelines	Unclear guidelines lead to manipulation by influential agents		Unclear guidelines afford discretion to administrator

## Part III Policy Processes and the Implementation of Centrally Sponsored Schemes in Andhra Pradesh and Madhya Pradesh

### 5. Andhra Pradesh – Scheme-wise Findings

#### 5.1 National Old Age Pension Scheme

##### 5.1.1 State's 'rating' of the scheme

Andhra Pradesh has a history of providing old age pensions with an old age pension scheme introduced as far back as 1961, though the amount provided was not modified until 1990. In 1984 another scheme providing pensions for agricultural labourers was also launched. The NOAPS, introduced nation-wide in 1995, is a valuable source of funds to continue providing old age pensions in the State, with earlier programmes having been scrapped.

##### 5.1.2 State-level adaptations

###### **Pension distributed during *Janmabhoomi* (JB)**

The State is following the Central guidelines to the extent that the distributing body is the *Gram Sabha*. However, it has mandated that pensions must be distributed only during rounds of the State sponsored '*Janmabhoomi*' (JB) scheme. The official rationale behind this decision is that this will prevent corruption and ensure that pensions reach the correct person.<sup>57</sup> However, the distribution of pensions has been used as a point of mobilisation during the *Janmabhoomi* rounds. People are attracted to meetings due to the disbursement of pensions, and once they have arrived, other announcements and programmes are undertaken (Dr Tilottama Reddy, personal communication, 16<sup>th</sup> May 2002).

##### 5.1.3 Sources of political patronage/consolidation of power

###### **Selection of beneficiaries**

Though the amounts involved are small (Rs75 per person), Professor G. Haragopal notes that beneficiaries are almost always selected due to recommendations by local leaders or local middlemen (personal communication, 15<sup>th</sup> May 2002). Professor Haragopal recounts an instance two years ago when starvation deaths were reported in Mahbubnagar district of AP due to famine-type conditions. Visits to the area showed that many eligible families had not received their pensions due to non-proximity to people with local influence. Thus, although pensions are distributed in an open forum (the *Gram Sabha*), the selection of beneficiaries has been prone to political influence. According to Professor Haragopal, this stems from the fact that the number of eligible people in a village are greater than the number of pensions that are sanctioned. However, there have also been cases where non-eligible candidates such as party workers of the ruling TDP party based in the village have diverted pensions to themselves.

###### **Implementing agencies**

The Central guidelines have left States to choose whether they want to use post office savings accounts (money orders or drafts) or cash during the GS to distribute pensions. In Andhra Pradesh, the implementing agency for the NOAPS is the *Gram Sabha*. It is also interesting that the NOAPS

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57. Minister for Social Welfare, Mr Janardhan, quoted on [www.andhranews.net](http://www.andhranews.net), 16th December 2001

has remained one of the few functions of the GS, given that the NOAPS is a scheme that attracts little political attention – mainly due to low amounts of individual disbursements and a delivery mechanism that limits access to large funds. An immediate hypothesis in the context of the overall neglect of PRIs in AP is that the NOAPS has remained under the jurisdiction of the GS for precisely these reasons.

## 5.2 Indira Awaas Yojana

### 5.2.1 State's 'rating' of the scheme

While rural housing is considered an important issue in AP, and the Chief Minister has made requests for increased allocations to the same, the IAY itself is barely visible. This is discussed again below.

### 5.2.2 State-level adaptations

#### Unit costs reduced

The unit cost under the IAY in Andhra Pradesh has been reduced from Rs20,000 (the amount prescribed by Central guidelines) to Rs16,500 in plain areas and from Rs22,000 to Rs18,500 in hill areas, in an ostensible bid to maintain uniform unit costs for all types of rural housing schemes (Andhra Pradesh has State sponsored schemes in existence as well) in the State (Chakravarty and Rajeshwar, 1998). However, as Chakravarty and Rajeshwar's study of Srikakulam district (*ibid.*) showed, this often results in poor quality and incomplete construction since beneficiaries have to forego considerable amounts of money in 'speed' money and other bribes (on average Rs4,000 and Rs.4,300 in plain and hill areas, respectively) to meet the rent-seeking demands of officials.

### 5.2.3 Sources of political patronage/consolidation of power

#### Implementing agencies

According to Central guidelines, the DRDA/ZP decides the number of houses to be constructed and the *Gram Sabha* selects the beneficiaries, restricting its number to the target allotted, from a list of eligible households (i.e. all those below the poverty line). In Andhra Pradesh, the DRDA and its line departments, headed by the District Collector, handle most schemes (including the IAY) with the ZPs being marginalised (World Bank, 2001). In turn, MLAs are known to exercise their influence with District Collectors or Block Development Officers and to make changes and 'recommendations' to the final lists of beneficiaries.

According to one analyst, this is one of the schemes which helps to neutralise the effects of large amounts of moneys going to parallel bodies (we discuss this phenomenon in detail later) since it provides MLAs with their own source of patronage. As a recent study notes, schemes involving MLAs 'provide continuing roles for them and dilute the opposition' ('AP Research Findings', [www.Panchayats.org](http://www.Panchayats.org)). This could also explain why the housing issue is not very 'visible' and does not figure in TDP campaigns during election time, although the scheme is being implemented and has historically been an important political tool in the State (discussion with Professor Srinivasulu, 20<sup>th</sup> May 2002).<sup>58</sup>

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58. Visible schemes during campaigns are watersheds, DWCRA, etc. – see below.

### **Selection of beneficiaries**

Chakravarty and Rajeshwar (1998) find that ‘manipulation is being openly practised [in the selection of beneficiaries] because of [the] political lobby’. Caste affiliations play a large role in these selections. A study in Srikakulam district shows that many SC/ST families who applied for shelter under IAY have been covered under the MLA Constituency Development Scheme where loan component is involved, whereas many of the non-SC/ST families have been considered under IAY, even above their prescribed proportion.

## **5.3 Drought Prone Areas Programme**

### *5.3.1 State’s ‘rating’ of the scheme*

In 1997 Andhra Pradesh launched a massive ten-year watershed development programme.<sup>59</sup> The Andhra Pradesh government rates this programme highly with its stated position about watershed development being that ‘[a] great opportunity exists for improving the productivity, profitability and sustainability of dry farming areas through social mobilization’. It further states ‘[w]atershed development is the only solution to ensure drought proofing and to mitigate the distress caused by frequent droughts’ (www.andhrapradesh.com).<sup>60</sup>

### *5.3.2 State-level adaptations*

#### **Institutional innovations**

The State government has created ‘Project Directors’ (PDs) and ‘Multi-Disciplinary Teams’ (MDTs) for the implementation of the scheme. Each DPAP District (the programme runs in 17 of AP’s 20 Districts) has a PD who is also the chairman of the District Watershed Advisory Committee (DWAC)<sup>61</sup>. The MDT covers 50 watersheds (roughly, Division-level) and comprises three senior and three assistant line department functionaries (forestry, agriculture and engineering) (Springate-Baginski, et al; p.11). The State government has thus succeeded in having a strong presence in the structure of the programme’s implementing agencies and choice of PIAs. This is discussed in detail below.

### *5.3.3 Sources of political patronage/consolidation of power*

#### **Implementing agencies**

The watershed committees<sup>62</sup> in Andhra Pradesh, including their respective Secretaries and Presidents, have been criticised for being ‘sated with people having loyalty to the party in power’(the TDP) (D. Narasimha Reddy, personal communication, 15<sup>th</sup> May 2002; Dr M. Gopinath Reddy, personal communication, 17<sup>th</sup> May 2002). Keen observers of Andhra politics believe that

59. Since the new watershed guidelines (see – Turton et al (1998) for a discussion of these guidelines) were introduced, over 3,000 watersheds, covering an area of 1.2 million hectares, have been introduced. Other government schemes provided funds for other watersheds, taking the total to over 5,000 (Springate-Baginski, et al, p.13).

60. However, for public consumption (especially at the village level) the scheme is popularised not as the DPAP, but rather as a watershed development scheme of the State of AP (D. Narasimha Reddy, personal communication, 15<sup>th</sup> May 2002). Despite Central criticism and instructions that names of programmes should not be changed, some analysts argue that this is inevitable and could in fact benefit the dissemination process, as people are better able to identify with schemes sponsored by a government closer to them. Dr Jayaprakash Narayan (personal communication) points out that it is valid to the extent that it popularises and disseminates a scheme according to local tastes.

61. The constitution of the DWAC was suggested by the 1994 national guidelines to offer guidance on issues of implementation, including PIA selection

62. The 1994 guidelines provide for a watershed committee at the level of the watershed (which often coincides with the village level in AP), which is the agency for planning and execution of works.

this planting of party workers has been a conscious decision of the Chandrababu Naidu government to attempt to mobilise grassroots support (Professor K. Srinivasulu, personal communication, 20<sup>th</sup> May 2002). Historically, the Congress Party (the TDP's chief opposition in the State) has been stronger at grassroots level (ibid.). However it has lacked the organisational machinery (and according to some, the acumen) to capitalise on this. The TDP has been quick to realise the potential gains in controlling the large amounts of resources flowing in through natural resource management programmes such as the DPAP (ibid.). This is also believed to be the main driver of the decision to bypass PRIs (which are not completely controlled by the TDP) and set up a parallel delivery system (Professor G. Haragopal, personal communication, 15<sup>th</sup> May 2002).<sup>63</sup>

Indeed, with TDP party men controlling these resources and their distribution, new patron-client relationships have developed at village level. Though these patronage networks are no longer the traditional relationship of landlord and peasant, the dominant castes still retain sources of patronage, as is clear from an investigation into the backgrounds of these party men. It is relatively simple to join the TDP, with requirements to serve time or adhere to an ideology being minimal (Manor, 2000). As one commentator stated, 'the TDP is purely based on money power – anyone who can pay can get in' (Dr Jayaprakash Narayan, (Loksatta) personal communication).<sup>64</sup> Huge amounts of money change hands for mere nominations for elections (Dr Jayaprakash Narayan (Loksatta), personal communication, 18<sup>th</sup> May 2002). A study has shown that a major proportion of MLAs and party workers from the TDP belong to the contractor class and have close links with the landed élite in villages due to their caste affiliations (D. Narasimha Reddy, personal communication, 15<sup>th</sup> May 2002).<sup>65</sup>

While the benefits from the watershed programme are yet unclear (a recent study advises caution, saying it is too early to judge the overall economic impact of the programme in the State (Springate-Baginski, et al; p.23)), what is clear is that there have been tremendous personal benefits to those who are part of the implementing machinery due to the large amounts of money flowing through these programmes (Rs20 *lakh* per watershed over five years). In return, these people have acted as mobilisers during election time and generated support for party interests at other times (Professor G. Haragopal, personal communication, 15<sup>th</sup> May 2002).<sup>66</sup>

### **Selection of watersheds and works**

The selection of watersheds under the DPAP in Andhra Pradesh is reported to be relatively objective on the basis of clear-cut parameters with assigned weightages (M. Gopinath Reddy, personal communication, 17<sup>th</sup> May 2002; Springate-Baginski, et.al; p.11). However, the selection of works is often 'top-down', with interventions being planned at the levels of the PIA and MDTs, sometimes contrary to the suggestions of the people in the initial meetings (AP research findings, www.Panchayats.org, p. 12).

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63. As Professor G. Haragopal points out, party workers in watershed committees have direct links with the State level political regime – since there are no corresponding district level bodies, it does not matter which party is in power at the *Zilla Parishad* (personal communication, 15<sup>th</sup> May 2002).

64. According to Dr M Gopinath Reddy (personal communication, 17<sup>th</sup> May 2002) there has been a distinct shift in Andhra politics over the last two decades with the contractor class actively entering to further their business interests.

65. The industry coalition in AP is driven by Reddy-Kama-Raju interests while most of the landed élite belong to the Reddy and Kama castes

66. Professor G. Haragopal relates an instance where he was asked before his address at a public function to desist from criticising Naidu. He was told that there was a section of youth in the village who had benefitted immensely from public works – in return their obligation was to protect party leaders Naidu's interests in the village – including mobilising people during election time and 'shouting louder than the opposition' whenever voices of criticism were raised (personal communication, 15<sup>th</sup> May 2002).

## 5.4 Food for Work Programme

### 5.4.1 State's rating of the scheme

The scheme appears to be high on the list of priorities, judging by the repeated requests to the Centre for greater allocations of food grains. In its requests to the Centre, the State has claimed that 22 of its Districts are drought-prone and the Food for Work Programme is important to provide employment to drought-affected sections of the population.<sup>67</sup>

It is interesting to note that grain procurement by AP from the Centre has been rising steadily over the last five years. Rice procurement, for instance, has risen from 3.85 million tonnes in 1997-98 to 7.12 million tonnes in 2000-01. Of the 8 million tonnes procured nation-wide, 2.58 million tonnes was from within the State.<sup>68</sup>

### 5.4.2 State level adaptations

Unlike other States, the FWP is implemented in Andhra Pradesh not by the District administration but by District Ministers.<sup>69</sup> Again, this represents AP's attempts to keep a tight leash on rural development resources. This has also led to widespread allegations of abuse, as is discussed later.

### 5.4.3 Sources of political patronage/consolidation of power

Opposition leaders have alleged large-scale collusion by District Ministers and other TDP MLAs with mill owners. The opposition's contention is that a large portion of FWP rice is finding its way back into FCI godowns via the rice mills (Aiyar and Menon, 2002). Indeed, in early May 2002, authorities seized 970 quintals from Satyanarayana Murthy, husband of P. Anathalakshmi, TDP MLA from East Godavari District (ibid.). The State government also filed cases against 64 rice millers and 146 government officials in April 2002 in an effort to clamp down. The following month, however, opposition members complained to a visiting delegation from the Central Vigilance Committee that the programme continues to provide large-scale opportunities for personal benefit to TDP MLAs and political mileage from mill owners, who are the usually the community's élite.<sup>70</sup>

## 5.5 Employment Assurance Scheme

### 5.5.1 State's rating of the scheme

Within Andhra Pradesh policy circles, wage employment schemes such as the EAS<sup>71</sup> are believed to be relatively ineffective (Professor Srinivasulu, personal communication, 20<sup>th</sup> May 2002). A recent report presented to the State government notes that '[t]he contribution to creating rural employment

67. This has been contested by the Ministry of Agriculture at the Centre which claims that only 6 districts are suffering from drought conditions (Aiyar and Menon, 2002)

68. In contrast, the state of MP has lifted only 41.76% of the wheat allotted for BPL families and only 59.41% of the rice allotment for the BPL population.

69. Each district in AP has a district minister who oversees the TDP party's interests in the district. Some district ministers are more powerful than others, such as those who have close links with the Chief Minister, or those who control important constituencies (D Narasimha Reddy, personal communication, 15th May, 2002).

70. The government has also pandered to mill owners in other ways: a 1998 decision to place cotton imports under the "open general licence" category while restricting exports in order to feed the mills, is, according to representatives of cotton growers, the source of a bias against growers and in favour of mill-owners (Kumar, Nagesh S: 1998)

71. A similar perception exists about the JRY.



in minimal... It [the EAS] helps [only] about 1% of the workers in the State' (GoAP, 2001). The large amount of foreign aid the State gets for NRM-type schemes might also be a factor in State policymakers' neglect of schemes other than NRM (Professor Srinivasulu, personal communication, 20<sup>th</sup> May 2002).

### 5.5.2 State level adaptations

#### **Presence of contractors**

Central guidelines for the EAS have abolished contractors and provided for implementation only by line departments, corporations of the State government or *Panchayati Raj* Institutions (PRIs). However, there is clear evidence that contractors and even outside labourers have been engaged to execute works under the scheme (Rajakutty et al, 1999; p.80) and community infrastructure needs are completely negated (Planning Commission, 1999). Projects managed by BDOs/*Panchayats* are actually implemented by contractors. The role of contractors is discussed further below.

#### **Selection of works**

Works undertaken in AP under the EAS are limited to the construction of link roads and buildings. Reasons include the claim that the people's mandate is more for these assets, and the fact that the creation of these assets involves high expenditure which cannot be taken up by *Panchayats*,<sup>72</sup> leaving the EAS as the only remaining source of funds (Rajakutty et al, 1999; p.103).

### 5.5.3 Sources of political patronage/consolidation of power

#### **Implementing agencies**

The contractor class has traditionally had an important role to play in bridging the gap between the bureaucracy and beneficiaries (see our discussion of IRDP later) and, as we noted earlier, it is very much a part of the execution of wage employment generating works in the state. However, the nature of the TDP strategy (see discussion under DPAP) has made it increasingly difficult for this group to remain independent, operating outside the boundaries of political parties. This is unlike many other states where contractors can provide important assistance to politicians at election time and still not be part of a political party (Manor, 2000). According to Manor, this represents Chief Minister Naidu's efforts to close off access to the bureaucracy to non-members of his party (ibid.).

#### **Selection of beneficiaries**

When executed, the EAS is reported to be 'reasonably well-targeted', despite reports that outside labourers are also engaged by contractors (GoAP, 2001; Rajakutty et al, 1999). Statistics for AP show that socially deprived sections, e.g. SCs/STs are well-represented under the scheme, compared to their share in the population, though the percentage of landless sections is low (GoAP, 2001).<sup>73</sup>

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72. As an aside, it is interesting to note that though the *Sarpanch* (who heads the *Gram Panchayat*) is a relatively toothless body on paper, it is much in demand in AP. This is a recent phenomenon in AP and has been attributed to the fact that it is considered a stepping stone to higher levels of politics with which those who need to further business interests often wish to engage (M. Gopinath Reddy, personal communication, 17th May 2002).

73. The percentages of SCs and STs in the total population are around 15.9% and 6.31% respectively, and their share in the total number of beneficiaries under the EAS is 37% and 19%, respectively.

## 5.6 Integrated Rural Development Programme

### 5.6.1 State's rating of the programme

The IRDP has been operational in the State since its nationwide introduction in 1980. However, over the last five years or so, the IRDP has declined in visibility within the State. According to Dr M. Gopinath Reddy, although the IRDP (now the SGSY with a focus on SHGs) is still technically in operation in Andhra Pradesh, the view within the establishment is that women (via the DWCRA scheme, which was one of the IRDP's allied programmes before these were merged into the SGSY)<sup>74</sup> handle credit better and are better able to function within self help groups (personal communication, 17<sup>th</sup> May 2002).

### 5.6.2 State level adaptations

As we noted above, the State has shifted focus from the IRDP to the DWCRA as the major self-employment programme. Though there have been tangible gains to members of the DWCRA groups, they have also become an important political focal point. According to Professor Haragopal, Chandrababu Naidu has succeeded in making women a huge point of mobilisation without involving party cadres as DWCRA groups are present in all regions of the State (Professor G Haragopal, personal communication, 15<sup>th</sup> May 2002).<sup>75</sup>

### 5.6.3 Sources of political patronage/consolidation of power

#### Implementing agencies

Evaluations of the IRDP (in the 1980s and early- to mid- 1990s) clearly bring out the role of middlemen (or *Pyraveekar* as they are known in the Telengana region) in the delivery of the IRDP loans. Middlemen became the main channel of communication between the bureaucratic set up and the rural poor (Reddy and Haragopal, 1985; p.235). The middleman maintains effective linkages with the politicians in power and key decision-makers in the administration (ibid.). While the bureaucracy feels 'safe' to deal with a few middlemen instead of a large number of members of the target group, the members of the target group feel at home with the *Pyraveekar* as they can confide their needs and take his assistance in tailoring benefits to suit their preferences, needs and priorities. However, as Haragopal and Reddy note, the *Pyraveekar* often transmits distorted information about loans and uses it as a lever to establish and consolidate his hegemony over the rural poor.

Haragopal and Reddy's account is over fifteen years old and is valid till the time the TDP came into power in 1995 (Professor G. Haragopal, personal communication, 15<sup>th</sup> May 2002). The identity of these contractors and their role in the delivery of credit in rural Andhra today, is, as we discussed earlier, somewhat changed today. Though they perform the same roles, they are now more often than not, part of the party machinery (see discussion of EAS earlier).

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74. There are two important respects in which DWCRA differs (differed) from other IRDP-type programmes. First, the main unit of development in DWCRA is not an individual or household, but a group of (10–20) women. This group approach is now also inserted in the SGSY programme. Second, the emphasis is not only on economic activities, but also on social issues such as family welfare, childcare and literacy (Mooij, forthcoming). Despite the introduction of the SGSY, DWCRA still exists as a programme in AP.

75. Women are an important source of support for Chandrababu Naidu and the TDP. Before the 1999 State election, the LPG scheme for gas stoves was introduced and extended to all DWCRA group members. This is believed to be an important contributory factor to Naidu's success in that year (M. Gopinath Reddy, personal communication, 17<sup>th</sup> May 2002).

#### 5.6.4 *Selection of beneficiaries*

The selection of beneficiaries under the IRDP in AP follows patterns reported all over India. An evaluation of IRDP in Anantpur district, Galab (cited in Reddy, S.S, 1990) found a wastage of 59% of the total investment, due to the inclusion of the non-poor and the non-retention of assets. The beneficiaries were found to have spent an additional 5% in pay-offs to middlemen. In another study in East Godavari district, the socio-economic profiles of the village *Panchayat* leadership and the beneficiaries were found to be closely associated (Reddy, G.M., 1990). As Reddy states '[t]he wrong identification of beneficiaries and leakages of benefits are not accidental, they are the result of local power configurations'. Reddy found evidence of active patron-client relationships in the distribution of benefits under the scheme.

## 6. Madhya Pradesh – Scheme-wise Findings

### 6.1 National Old Age Pension Scheme

#### 6.1.1 State's 'rating' of the scheme

The pension scheme is an important part of providing social security in the State (DEBATE team, personal communication, 2<sup>nd</sup> July 2002). The pension amount has been augmented at State level, as discussed below.

#### 6.1.2 State-level adaptations

##### **Pension amount increased**

The pension amount is Rs150 per head – double what the Centre stipulates.

#### 6.1.3 Sources of political patronage/ consolidation of power

##### **Selection of beneficiaries**

The *Gram Panchayat* selects the names of beneficiaries for the NOAPS to be forwarded to *Janpad Panchayats* (JP) under the schemes. Recent State government legislation also provides that the GP's decision is final and that it must only keep the JP informed of its decision by forwarding a list of selected names (Eklavya team, personal communication, 28<sup>th</sup> June 2002).

Before the *Gram Swaraj* Act, the *Sarpanch* had exclusive control over the GP and his/her decision dominated selection. Subsequently, power has been distributed among a greater number of people, with the introduction of the post of a treasurer who has joint signing authority with the *Sarpanch*. The GS now has to meet every month and the quorum has been increased to 20%.<sup>76</sup>

These measures had mixed results. Observers from the field have noted that this has delayed procedures of selection in some cases since the quorum required is not present and this has led to implementation coming to a standstill. (Eklavya team, personal communication, 28<sup>th</sup> June 2002). Recent studies have found that *Gram Sabha* meetings are not well attended and that illiterate members were merely putting thumb impressions on the decision of the *Sarpanches* (Rao et al).

Interestingly, in the case of villages where power has been keenly contested between two more or less equally powerful socio-economic groups (usually caste-based), the spreading thin of power to select beneficiaries has had visibly positive effects – the introduction of new posts (notably, that of a treasurer in each GP) has meant that opposing factions are now part of the same GP. Accounts at village level have to be managed jointly by the treasurer and *Sarpanch*, leading to greater pressure to ensure fairness when they belong to opposing factions (Yogesh Kumar, personal communication, 4<sup>th</sup> July 2002).

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76. Another significant clause has been the introduction of eight committees comprising members of the GS on public estate, agriculture, health, education, village development, village defence, infrastructure and social justice. However, the functioning of these committees is questionable. Eklavya's fieldwork covering 30 villages over 3 Districts (covering 15 *Panchayats*) found that very few of these meetings happening in practice. An estimated 75% of people were not even aware that they were on a committee (Eklavya team, personal communication, 28th June 2002).

### **Implementing agencies**

A study by CARD (2002a; p.94) in Bastar district concluded that the success of the NOAPS depended largely on the attitudes and motivations of the implementing agencies. The NOAPS becomes particularly prone to this as it involves cumbersome registration procedures. One beneficiary interviewed for the same study said he was tired of going to the secretary to fill in the application for a pension and complained about his misdeeds.

There is also an awareness problem that could be potentially exploited, particularly in tribal areas. Both the *Panchayats*' representatives and the people are reported to be ignorant of norms and procedures, which tend to be onerous for the NOAPS (ibid.).<sup>77</sup> The *Panchayats* that are well connected with roads seem to have greater awareness (ibid.).

A study by DEBATE (2001) confirms that awareness of GS members is important since the GP is pressured to spend on development benefits and improve the utilisation of funds. Clarity of roles also matters. DEBATE (Ibid.) attributes the recent improvement in the utilisation of funds under the NOAPS to the fact that the GP's role is now better defined in MP and its autonomy enables it utilize money better.

## **6.2 Indira Awaas Yojana**

### *6.2.1 State's 'rating' of the scheme*

The IAY is well rated by the government of Madhya Pradesh. Since it was made a stand-alone scheme in 1995–6, it has been in considerable demand by Madhya Pradesh's rural areas (Dr P.K. Dash, personal communication, 26<sup>th</sup> June 2002). It is popular among beneficiaries as there is no component to be recovered and *Gram Panchayats* are reported to clamour for more targets of housing units under the scheme (ibid.). Positive impacts of the scheme have been confirmed by independent evaluation studies (DEBATE team, personal communication, 2<sup>nd</sup> July 2002; CARD, 2002a).<sup>78</sup>

In contrast, the Credit-cum-Subsidy Scheme for Rural Housing that was launched by the Centre in April 1999 crashed as banks did not feel confident about the credit worthiness of these borrowers (Dr P.K. Dash, personal communication, 26<sup>th</sup> June 2002). (The scheme, which can also be accessed by APL populations, restricts the subsidy component to Rs10,000 and the maximum loan amount is Rs40,000.)

### *6.2.2 State-level adaptations*

#### **Low cost innovations**

According to Dr P.K. Dash (personal communication, 26<sup>th</sup> June 2002), there has been innovation with low-cost, local material within the same budget by beneficiaries of the scheme (this is also recommended by Central guidelines). These low-cost innovations have resulted in the construction of houses of greater than the minimum permissible area.

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77. CARD (2002a, p.82) notes that since the *Panchayati Raj* system is new in the villages, especially for the tribes of Bastar district, who themselves have their own traditional governance system, knowledge regarding the administrative apparatus is scarce.

78. Madhya Pradesh recently lost a large chunk of its allotment after changes in criteria of allocation under the IAY by the Centre. Allocations to the state fell from approximately Rs300 crores to Rs100 crores. (The criteria for allocation of funds under the Indira Awaas Yojana to the States/UTs is now made on the basis of equal weightage to poverty ratios rural housing shortage figures. Till 1998–9, only poverty ratios were used for allocations to States).

### 6.2.3 Sources of political patronage/consolidation of power

#### Implementing agencies

The influence of MLAs in the Indira Awaas Yojana has been reduced substantially in MP since the ruling that lists of beneficiaries cannot be modified once the *Gram Sabha* comes to a decision (Eklavya team, personal communication, 28<sup>th</sup> June 2002). The *Gram Panchayat* handles the scheme, and as discussed for the NOAPS above, much depends on the context.

#### Selection of beneficiaries

Given the large amounts involved, targeting is inevitably politicised. A study of Kohaka *Panchayat* in Madhya Pradesh finds that, while villages have received benefits under IAY, it has remained confined to the hamlet within which the *Sarpanch* resides. A section of people interviewed for the study complained that they were not allotted benefits under the IAY, despite casting their vote to the current *Sarpanch* (CARD, 2002b; p.94).

## 6.3 Drought Prone Areas Programme

### 6.3.1 State's 'rating' of the scheme

The DPAP, governed by the new participatory guidelines, is extremely well-rated in Madhya Pradesh. The Chief Minister, Mr Digvijay Singh is believed to be genuinely impressed by the potential of the watershed development to tackle dry areas in MP, right since the introduction of the new guidelines in 1994, at which time Mr Singh was newly-elected. Senior bureaucrats interviewed for this study suggested that if MP had greater flexibility in deciding how to spend the money coming from Central government, it would direct a substantially larger amount to a comprehensive watershed development and employment generation programme.

### 6.3.2 State-level adaptations

#### The 'mission mode'

The Department of *Panchayat* and Rural Development of State government has linked the Drought Prone Area Programme (DPAP), Employment Assurance Scheme (EAS) and Integrated Watershed Development Programme (IWDP) to form the Rajiv Gandhi Watershed Mission. This programme is considered Digvijay Singh's flagship programme.<sup>79</sup>

According to Mr Jitender Agarwal (GoMP), the 'mission' mode has been adopted for three fundamental reasons. First, it promotes co-ordination for programmes that are intersectoral in area (apart from watersheds, it has also been employed for education – where more than one department is involved). Second, it conveys a sense of urgency and priority to the administration, causing the same administrative machinery to respond better. Third, it provides greater autonomy at District level.

Interestingly, these missions are registered as 'societies' – allowing external sourcing of funds in addition to lumpsum grants allocated from the GoMP. Although this creates clear accountability structures, it also allows Mission Directors (who are hand picked by the State leadership) to control funds flowing through the mission. According to observers, these include active members of the ruling (Congress) party in MP employed on contract. The 'mission mode' is also seen by some as a

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79. While the 'Rajiv Gandhi' tag may hold some electoral weight, renaming schemes is also a way to lessen the mileage the Central government could derive from these schemes.

way to subvert the normal decision-making process – in one sense, despite overt measures to encourage decentralisation, important sources of power and patronage are still centralised.

### 6.3.3 Sources of political patronage/consolidation of power

#### **Implementing agencies**

Watershed committees have been designated as the implementing agencies for watershed development in MP.<sup>80</sup> CARD's (2002c) field observations reveal that political forces (including the more 'distant' ones like MLAs) influence the representation structure of watershed committees. Also, the representation of disadvantaged sections is attained only due to the legal requirements of reservations (ibid.). Despite the clear direction to government machinery to accept the principles of participatory management and visible project monitoring (Planning Commission, 2000), overall control of committees, powers of decision-making, holding meetings and determining benefit distribution are usually found to lie in the hands of the President/Secretary of the committee (who are not elected members). According to CARD (2002c; p.132), participating members or other beneficiaries usually have little or no say. This reflects what many believe is the grey area in implementation, notwithstanding the firm political commitment at State level to encouraging more participatory decision-making.

The participation of NGOs as PIAs in the watershed programme has also attracted some comment. One NGO interviewed for this study believed that the GoMP prefers watershed committees over NGOs to fulfill this role. Although NGOs could bring the advantage of a deeper and much longer interaction with the communities involved, many regions lack sufficiently experienced NGOs. As CARD (2002c; p.73) notes: 'More often the officials argued that there was a dearth of competent NGOs/VOs in their respective districts – this could be reality as well as presumptions of the administration'.

Given the status of *Panchayats* in the State, there is also some confusion about who will be responsible for the maintenance of watersheds after the programme has run its 4 or 5 year term. When the programme was launched, the *Panchayats* were relatively toothless, and watershed committees (which have no legal status) were in charge. The State government is currently deliberating on whether the completed projects should now be handed over to *Panchayats* or not (Dr V.S. Krishna, personal communication, 27<sup>th</sup> June 2002). According to CARD (2002c; p.134), the *Panchayat* has been considered the most viable option of maintaining community assets. User groups are also deemed to be viable options (ibid.). Technically, watershed committees are designated as 'temporary committees' that can be dissolved at any time by the *Gram Sabha*.

#### **Selection of watersheds and works**

The District Collector still retains the power for the crucial decision as to who to choose as the PIA. MLAs influence this decision.

DRDA choice is also an important factor influencing the choice of works. Positive impacts have been reported (CARD, 2002c) but local objectives have mostly not been the deciding factor. CARD reports that watershed development activities are pre-decided and individual benefits are large.

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80. The rationale is that the *Sarpanch* lacks technical capacity

## 6.4 Employment Assurance Scheme/Sampoorna Grameen Rozgar Yojana

### 6.4.1 State's rating of the scheme

The scheme is considered important by policy-makers in the State, given MP's labour surplus (R. Gopalakrishnan, personal communication, 2<sup>nd</sup> July 2002). There is also criticism in policy circles of the allotment of funds under EAS to other States with no labour surpluses. Support for the allocations under the scheme to be demand-driven has been articulated by the Chief Minister at meetings with the Central government. As per Central guidelines, the scheme has been subsumed under the SGRY, wherein wages are paid part in cash and part in grain (see Table 3).

### 6.4.2 State-level adaptations

- a) Since the DRDA has merged with the ZP, the *Panchayats* are the implementing agencies for the scheme in the State. This is discussed in detail below.
- b) Relevant to the payment of wages in kind is the fact that the government of Madhya Pradesh has institutionalised the '*Anna Kosh*' (food bank) at the *Gram Sabha* level.<sup>81</sup> This is being viewed by observers as the first step towards a community managed initiative for food security (Swaminathan: 2001).

### 6.4.3 Sources of political patronage/consolidation of power

#### Implementing agencies

According to Central guidelines, the implementing agency for the EAS is the DRDA or the ZP. As discussed above, in Madhya Pradesh, the DRDA has been subsumed under the ZP. Most ZPs in MP are controlled by the Congress Party and it has been the party's official line even at the Centre that the DRDA as a separate body should be abolished as it pitches the bureaucracy against the party vis-à-vis the control of resources (Ashim Chowla, personal communication, 26<sup>th</sup> June 2002). In practice, however, accounts are still maintained separately and effectively by the CEO who belongs to the civil services and takes all the decisions (DEBATE team, personal communication, 2<sup>nd</sup> July 2002).

In addition to *Panchayat* members, bureaucrats also have to deal with Members of the Legislative Assembly (MLAs). District Planning Committees (DPCs) have been set up in the State and have been given wider ranging powers than those envisioned by constitutional amendments at the Centre, including ensuring the implementation of Centrally sponsored programmes. Although the constitution at the Centre does not envisage a 'District government' in the strictest sense of the term, the Madhya Pradesh experiment aims to introduce district-level governance by modifying the existing structures (Venkatesan, 1999). Each DPC will consist of between 15 and 25 members, four-fifths of whom will be elected as per the constitutional provision. The Minister in charge of the district, the District Collector and the *Zilla Panchayat* President will be nominated as members. The Minister will function as the DPC's chairman and the Collector as its secretary.

The official rationale for this expansion of the DPC's mandate in the State is that it avoids red tapism by allowing the State government to delegate the substantial powers of the government to

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81. The *Gram Swaraj* Act provides for a new *Gram Kosh* to be established, which would "consist of four parts, (i) *Anna Kosh* (food fund), (ii) *Sharam Kosh* (voluntary labour) (iii) *Vastu Kosh* (donations in kind, like wood, fodder, etc) (iv) *Nagad Kosh* (cash collected through taxes imposed by the *Gram Sabha* and funds flowing from the *Gram Panchayat*) (Behar, 2001; p.3).



the DPCs. However it has also served the purpose of allowing control over Districts to respective ministers while enabling the Chief Minister to retain his own sphere of influence (see the discussion of missions). It became important for the Chief Minister to pacify MLAs who felt threatened by PRI representatives' increased power and popularity (Ashim Chowla, personal communication, 26<sup>th</sup> June 2002).

### **Selection of beneficiaries/works**

Roads and construction works are the most preferred works in Madhya Pradesh under the Employment Assurance Scheme (Eklavya team, personal communication, 28<sup>th</sup> June 2002). Apart from this, until 1999–2000, 50% of the works were watershed structures, as recommended by Central guidelines (as discussed earlier, this was done under the Rajiv Gandhi watershed mission).

Although the villages where works will occur are selected at Block level through what is believed to be a relatively fair process, the location of works within each village is instructive and often reflects the power balances within a village. CARD's evaluation of the scheme in Balaghat district found that in almost all cases, works were constructed in the hamlet where the *Sarpanch* resides (CARD, 2002b; p.90). In general, for other schemes as well, benefits were concentrated in particular hamlets (ibid.).

## **6.5 Integrated Rural Development Programme/Swarnajayanti Gram Swarozgar Yojana**

### *6.5.1 State's rating of the programme*

The SGSY received high priority from the GoMP when it replaced the IRDP and allied programmes such as DWCRA. Self-help groups became an important point of focus, including the introduction of a special Mission Director for SHGs in the State.<sup>82</sup> However, as is discussed below, administrative enthusiasm appears to be dying out recently.

Before the SGSY, the IRDP was not very highly rated in the State. Wage employment schemes are considered a better option than self-employment schemes for those below the poverty line (where entrepreneurship may be less forthcoming) (Hindu Business Line, 2002).

### *6.5.2 State-level adaptations*

#### **Block co-ordination committee**

This committee decides the activities and priorities for the Block (DEBATE team, personal communication, 2<sup>nd</sup> July 2002). Each Block committee covers 80–90 *Panchayats*, spread over 300–400 villages. There is no representation of the ZP or the JP on the committee, which is composed exclusively of bankers (ibid.). Apart from this being limited to only certain activities, these are also chosen sometimes irrespective of infrastructure availability or local conditions (Eklavya team, personal communication, 28<sup>th</sup> June 2002). The result has also been a dilution of ownership since although it is the Block co-ordination committee that decides activities, it does not implement them (DEBATE team, personal communication, 2<sup>nd</sup> July 2002). Ownership could also influence the utilisation of funds (see the discussion of the NOAPS). This is examined below.

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82. According to observers in the State, the GoMP was also in discussions with corporates such as Reliance, Godrej, Wipro and the Tatas to place part of their manufacturing needs with SHGs. The Chief Minister is also reported to have put in place a task force comprising officials of blue chip companies, such as ITC, Hindustan Lever and the financial institutions to figure out the best ways of grassroots level value addition, particularly for rural industries (Hindu Business Line, 2002).

### 6.5.3 Sources of political patronage/consolidation of power

#### **Implementing agencies**

CARD (2002a, p.98) points to the ‘target-oriented attitude of the implementing agency’, with immediate staff responsible for implementation not having the specialised skills or training required. Despite the completion of a six-month period after the formation of a group, banks often do not provide credit and groups break up (Eklavya team, personal communication, 28<sup>th</sup> June 2002). CARD (2002a, p.99) in Bastar district finds that the groups formed under the SGSY are not homogenous, cohesive or interactive and are socio-culturally inappropriate. They are formed as an official formality and participation and group dynamics are not adequately taken care of (ibid.).

Political neglect may be a factor here: as discussed earlier, there has been a fall in political enthusiasm since the initial enthusiasm at the launch of the SGSY. The scheme thus ends up depending on individual implementing agencies and local conditions for its success or failure (Eklavya team, personal communication, 28<sup>th</sup> June 2002).

#### **Selection of beneficiaries**

The difficulty of targeting and its politicisation are clearly seen in Madhya Pradesh. A study in Lamta *Panchayat* (Balaghat district), note that all the beneficiaries of IRDP reside close to the *Sarpanch*'s house and this segment has solely enjoyed the benefits of development activities (CARD, 2002b). A similar situation was observed in Hatta *Panchayat* where the benefits of development activities have remained confined to the territory of the late *Sarpanch*'s influence (ibid.). There have also been cases where a single group member has colluded with the bank official and run away with the entire amount generated through the activity chosen (Eklavya team, personal communication, 28<sup>th</sup> June 2002).

The impacts of decentralisation and the transfer of the scheme to the *Panchayats* are also unclear. According to Srinivasan (1998) when bureaucrats did the targeting in IRDP there was an upper limit on mistargeting: the known proportion of poor in the area. However, once the targeting was transferred to the *Panchayats*, the list of beneficiaries became grossly inflated – in the Sagar district of MP every household was deemed poor enough to be a beneficiary of IRDP (ibid.)

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## Annex

**Table 5 Growth of revenue receipts<sup>83</sup>**

Year	Actual receipts (gross) <sup>84</sup>	Increase over the previous year	% increase	% of GDP
1996-7	2072340	273890	15.22	16.23
1995-6	1798450	246150	15.85	16.37
1994-5	1552300	278610	21.87	16.41
1993-4	1273690	70900	5.89	15.90
1992-3	1202790	153450	14.62	17.11

*Note:* Rupees in millions. Revenue receipts increased from Rs1,202,790 million in 1992-3 to Rs2,072,340 million in 1996-7, which constituted an increase of 72.29%. However, as percentage of GDP it declined by 0.88% over the same period. Revenue receipts constituted 16.23% of the GDP during 1996-7 and registered 0.14% decrease over the previous year.

*Source:* CAG (1998)

**Table 6 Procurement of wheat and rice (in million tonnes)**

Marketing year	Wheat (April-March)		Rice (October-September)	
	Quantity	Percentage change	Quantity	Percentage change
1994-5	11.87	-7.5	13.40	-1.8
1995-6	12.33	3.9	9.95	-25.7
1996-7	8.16	-33.8	12.22	22.8
1997-8	9.30	14.0	14.33	17.3
1998-9	12.65	36.0	11.84	-17.4
1999-2000	14.14	11.8	17.27	46.5
2000-1	16.35	15.6	19.10	10.6
2001-2	20.63	26.2	13.33*	-

*Source:* Table 5.10, Ministry of Finance (2001)

**Table 7 Issue Prices of wheat and rice (Rs/quintal)**

Year	Wheat			Rice		
	<i>Economic cost</i>	<i>BPL</i>	<i>APL</i>	<i>Economic cost</i>	<i>BPL</i>	<i>APL</i>
1997-8	786.35	250	450	939.33	350	700
1998-9	797.16	250	650	1026.67	350	905
1999-2000	824.74	250	682	1095.03	350	905
2000-1	830.00	415	830	1130.00	565	1130

*Source:* adapted from Table 5.11, Ministry of Finance (2001)

83. Revenue receipts consist of tax revenue, non-tax revenue and others. Tax revenue comprises proceeds of taxes and other duties levied by the Union government, viz. taxes on income and expenditure, customs, union excise duty etc. Non-tax revenue comprises of interest receipts, dividends and profits, miscellaneous general services, broadcasting, petroleum, power, railways, postal and telecommunications receipts, etc.

84. Inclusive of share of net proceeds of taxes on income other than corporation tax and State's share of union excise duties

**Table 8 Allocations by the Ministry of Rural Development**

	1992-3 (BE)	1992-3 (RE)	1993-94 (BE)	1993-4 (RE)	1994-5 (BE)	1994-5 (RE)	1995-6 (BE)	1995-6 (RE)
<b>IRDP/SGSY</b>	390.20	390.20	654.00	659.00	675.00	676.00	656.00	656.00
<b>IAY</b>							0.00	491.88
<b>EAS</b>	0.00	0.00	600.00	600.00	1200.00	1140.00	1570.00	1816.00
<b>DPAP</b>	51.26	51.26	77.00	77.00	85.00	85.00	125.00	125.00
<b>ARSWP</b>	460.00	460.00	740.00	738.15	890.00	810.00	1110.00	1110.00
<b>NSAP</b>								550.00
<b>TOTAL RD</b>	3068.46	3068.46	4761.00	4756.01	5965.00	5583.50	6437.00	6434.00

continued	1996-7 (BE)	1996-7 (RE)	1997-8 (BE)	1997-8 (RE)	1998-9 (BE)	1998-9 (RE)	1999-00 (BE)	1999-00 (RE)
<b>IRDP/SGSY</b>	610.75	610.75	1383.00	1134.40	1410.94	1195.94	1215.00	946.76
<b>IAY</b>	1194.00	1194.00	1190.00	1143.55	1600.00	1532.00	1710.00	1659.00
<b>EAS</b>	1970.00	1840.00	1970.00	1968.27	1990.00	1990.00	1700.00	2040.00
<b>DPAP</b>	125.00	110.00	115.00	100.85	95.00	73.00	95.00	95.00
<b>ARSWP</b>	1110.00	1095.00	1302.00	1299.87	1627.00	1612.00	1800.00	1717.91
<b>NSAP</b>	932.00	550.00	700.00	559.41	700.00	640.20	725.00	709.94
<b>TOTAL RD</b>	6437.00	5977.00	9095.70	8465.12	9911.64	9414.30	9751.00	9349.77

**Figure 3 Growth in revised budgetary allocations for selected schemes**