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Social Funds, Institutions and Rural Poor in India

by

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I. Introduction

Social funds (SFs) have expanded rapidly in recent years. By May 2001, total World Bank investment in SFs was $3.5 billion for more than 98 projects in 58 countries (World Bank, 2002). Although the reviews have been mixed or highly critical, SFs may continue to expand rapidly[2].

Although SFs differ in design and content, they have some common features. Characterised as 'demand driven " and decentralised initiatives, their salient features are: (i) they make grant funds available to communities or municipalities to choose from a menu of projects (e.g. a well, health centre, school, road repair); (ii) project design and construction are decentralised to local actors comprising private firms, NGOs, local governments and community groups; (iii) community groups contract the design or construction firms or equipment suppliers, monitor project execution and/or take responsibility for operations and maintenance; and (iv) a local contribution of 10-15 percent of project costs is often required.[3]

SFs started in Latin America primarily to mitigate the hardships of structural adjustment. They were meant to provide employment through public works and emergency social services in rural areas, and to compensate for lay-offs as a result of downsizing of the public sector in urban areas. By the mid-1990s, several SFs were elevated to more permanent status, in view of their potential as an alternative mode of delivery of public services.

In this paper, an attempt is made to focus on some key *institutional* linkages in rural areas that are likely to constrain or weaken the poverty alleviating potential of SFs.[4] In doing so, I shall draw upon a recent World Bank initiative in India- *District Poverty Initiative Projects (DPIPs)* to focus on these linkages. Since I have access only to the Appraisal Reports, I shall draw upon my field-work on various anti-poverty interventions to illustrate these linkages and assess their importance.[5]

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[1] I have benefited from the advice of D.Lee, O. Feinstein and E.Pernia in the preparation of this paper. I have also benefited from discussions with P. Bardhan, A. de Janvry, F. Frankel, P. Roy, S. Mathur, G. Thapa and Vani Kulkarni about related matters. However, the views expressed here are my own.

[2] For a well- argued and persuasive critique, see Tendler (1999). By contrast, the World Bank review (World Bank, 2002) contains a strong endorsement of SFs *despite* an unimpressive targeting.

[3] For details, see Tendler (1999), and World Bank (2002).

[4] Often institutions refer to the formal and informal rules that constrain individual behaviour and shape human interaction (North, 1990). In the present context, the broader interpretation of a significant practice, relationship or organisation in a society or culture is preferred.

[5] A few assessments of DPIPs have been carried out but these are not in the public domain. I am grateful to Stephen Howes of the World Bank office in New Delhi for access to the Appraisal Reports. The reports consulted include DPIPs in Madhya Pradesh, Chhatisgarh, Andhra Pradesh and Rajasthan.

II. District Poverty Initiative Projects (DPIPs)

With a view to delineating salient features of DPIPs, I shall rely mostly on the Madhya Pradesh District Poverty Initiative Project without in any way implying that there are no contextual variations. Rather, the focus is on some key features that are common to all DPIPs.[6]

(a) Objectives, Design, and Allocation

The broad objectives of DPIPs are: (i) to create income earning opportunities for the rural poor; (ii) to empower disadvantaged groups; and (iii) to promote more effective, accountable and inclusive *Panchayats* (village councils) and other local support and service organisations.

The need for DPIPs arose from the unsatisfactory performance of existing anti-poverty programmes such as *Swaranjayanti Gram Swarozgar Yojana* (SGSY) and Employment Assurance Scheme (EAS), sponsored by the Government of India. The reasons cited are (i) high administrative costs, (ii) their supply driven nature, and (iii) limited focus on organisations and the skills of the poor.

The design of DPIPs is guided by various considerations, reflecting World Bank's experience of rural development projects in India and elsewhere. These include:

- empowerment of disadvantaged groups by giving them control over funds;
- ensuring that group investments are demand driven;
- fostering group formation of the most disadvantaged around common interests;
- ensuring local ownership by requiring cash contributions for group subprojects and creation of village funds;
- strengthening of local governments at the district and village levels;
- ensuring transparency of the project's performance;
- facilitating attitudinal and behavioural changes among various stakeholders; and
- strengthening infrastructural support and expansion of income opportunities in 2000 villages in Madhya Pradesh..

It is emphasised that in addressing these concerns fiscal liabilities must not increase. A summary of project allocations is given in Table 1. As may be noted, the bulk of the project expenditure (about 81 percent) will be devoted to community investments and the residual (about 19 percent) to institutional development.

[6] For details, see World Bank (2000). The reports consulted include DPIPs in Madhya Pradesh, Chattisgarh, Andhra Pradesh and Rajasthan.

Table 1: Project Allocations

Component	Sector	Costs (US $ M)	Share of Total (%)	Bank-Financing (US $ M)	Share of Bank – Financing (%)
(i) Community investments: (a) sub-projects for infrastructure, livelihood security and skills and organisation; (b) village funds; and (c) innovation funds.	Social Investment Funds	109	80.9	93.70	85.1
(ii) Institutional and Human Capacity Building: (a) project administration; (b) human resource development; (c) communications; (d) formation and strengthening of organisations; (e) monitoring and learning systems.	Institutional Development	25.70	19.1	16.40	14.9
Total Project Costs		134.70	100	110.10	100
Total Financing Required		134.70	100	110.10	100

Source: World Bank (2000)

(b) Institutions, and Implementation

To ensure that the benefits accrue mostly to the poor, two mechanisms are proposed: one is geographic targeting and the other is group targeting. The first will involve selection of the poorest blocks and villages/habitations in 14 districts; and the second will require actively promoting collective action, organisation, information and the skills of the poorest first, so that they can negotiate better with formal organisations and demand project and other forms of assistance.

Primary stakeholders are beneficiary organisations (i.e. Common Interest Groups (CIG)), facilitation organisations (Project Facilitation Team (PFT), NGOs), project management and support units (State Project Unit (SPU), and District Project Unit (DPU)), and government. Human resource development would be the responsibility of District Capacity Building Organisations (either NGOs or government agencies).

With a view to ensuring that the poorest are aware of funding possibilities under the project and the procedures to be followed, there is considerable emphasis on dissemination of information and communication. A communication specialist at the State level would support the district units, and PFTs would carry out communication activities at the village level.

To be eligible for sub-project financing, villagers would organise themselves into Common Interests Groups (CIGs), with the majority being poor. PFTs would help ensure inclusion of the disadvantaged by building their capacity and assisting them in accessing DPIP funds.

At the village level, the CIGs would identify and submit proposals to the Village Development Committee-composed of all elected *Panchayat* members, and representatives of all CIGs- for appraisal. The VDC would appraise them in consultation with the PFTs, and prioritise them for the given budget. The VDC would submit them to the District Sub-Committee for approval and disbursement. CIGs would be responsible for implementation and operation, and would get assistance from government, NGOs or private sources. All sub-projects would require a community cash contribution of 5 percent, and an additional contribution of 10 percent to be deposited in a Village Fund.

At the state level, the overall budgetary allocation would be the responsibility of the Board of the Society for Poverty Alleviation Initiatives (MPSPAI), chaired by the Chief Minister. Budgetary allocations in the first year would be on the basis of the target population, and in the second on the basis of performance.

Monitoring would ensure that project stakeholders understand better the reasons for a project's success or failure, as well as learn from the experience in other DPIP states.

(c) Innovations

The DPIP has several innovative features. Creation of a Board with the Chief Minister as the Chairman is designed to ensure that the project has the full backing of the state government, and considerable autonomy. The emphasis on quick and flexible disbursals through streamlining of procedures at the district and village levels (disbursals by the DPU into CIG bank accounts, for example, would cut bureaucratic delays) seeks to remedy bunching of expenditure in the last two or three months of a financial year and large unspent balances (Gaiha et al. 2001). The shift of emphasis from supply driven to demand driven allocations with considerable attention to ensuring that the poorest (e.g. Scheduled Castes and Tribes) have access to them and are enabled to improve their well-being is appealing. In this context, the priority assigned to dissemination of information and communication at different stages of decision-making – in particular, to making the poorest aware of opportunities for enhancing their incomes and for capacity building- is noteworthy. Moreover, the focus on not just economic betterment but also on empowerment of the disadvantaged through their more effective participation in decisions that are crucial to their well-being is a significant departure. Ownership of assets created (e.g. a school, an irrigation canal) through mandatory community contributions would contribute to their sustainability. Finally, without periodic and systematic monitoring and evaluation, the flexibility in the design and implementation of the project would be of limited value. So to avoid distortions considerable emphasis is placed on monitoring and cross-learning from DPIPs in different states.

III. Assessment

Whether the DPIPs live up to their promise would of course depend on how they are implemented. As I do not have access to DPIP assessments, I shall argue on the basis of field-work done elsewhere that some of the assumptions are overoptimistic, there are a few key missing links and there is limited awareness of empirical evidence on how various rural institutions function. I must therefore admit that I do not quite share the World Bank's enthusiasm for the DPIPs. Let me elaborate.

In a forceful critique, Tendler (1999, 2001) questioned the demand driven nature of social funds. She demonstrated with field-evidence from northeastern Brazil that they were far from participatory and demand- driven and in fact reproduced many features of supply- driven public services but with a different cast of characters, private sector and local.[7] Communities did not choose a school or a road but someone else did. Typically, firms, equipment suppliers or building contractors made the choice for a community. Driven by a profit motive, overstandardized designs that often did not suit local conditions were used. In the few instances that a community chose an activity, the choice was influenced by what it could get.

How real are these risks? I shall argue that some of these risks, albeit in different forms, cannot be ruled out.

(a) Aberrations

Although the composition of decision-making bodies at the state, district and village level varies, with different mixes of bureaucrats, elected representatives, NGOs and CIGs, there is an interplay of vested interests. At the state level, senior bureaucrats often have the upper hand with their easier access to project information, allocation procedures, and donor's priorities and concerns. On the other hand, often pitted against them are politicians who are more amenable to locally powerful interests. At lower levels, a mixed pattern is sometimes observed with elements of collusion and conflict. While line agencies placed under elected bodies seldom cooperate, some lower level functionaries that work closely with elected bodies collude to secure rents. The point therefore is that whatever the organisational form and the composition, there will be vested interests that are not likely to promote the interests of the poor. The evidence cited below illustrates.

A similar structure was established for Mewat Area Development Project (MADP), a collaborative project of the Haryana government and IFAD.[8] The Mewat Area Development Board functioned as an extension of Haryana government in which key decisions were taken by senior civil servants and duly approved by the Chairman. Occasionally there were political demands (e.g. a political rally in support of the Chief Minister was classified as 'Development Support Communications' for funding under the MADP) that were accommodated without any

[7] In a rejoinder, Carvalho (2001) offers a different characterisation. She points out that the so-called demand driven programmes are not purely demand driven, and the same is true on the supply side. What is needed for effective service delivery is an appropriate mix of supply and demand considerations, depending on the country and the sector.

[8] For details, see Gaiha (2001).

fuss as long as these did not interfere with bureaucratic control over financial allocations and disbursals. As there were frequent and large shortfalls in expenditure relative to outlays- the expenditure was barely 36 per cent of the outlay in the first five years of this project with a seven year span - the Mewat Development Agency had more or less a free hand in allocating funds in a piecemeal and *ad hoc* manner[9]. It was not so much the local needs and priorities that dictated the allocations but the political clout of local politicians.

A particularly serious aberration came to light that the MDA was tight-lipped about.

Briefly, a wasteland management scheme was prepared by the Panchayat of Agon. The proposal envisaged the reclamation of 400 acres of land in this village, through levelling, installation of tubewells, field-bunding and plantations. Half the reclaimed area (about 200 acres) was to be leased out to the chronically poor for a period of 3-5 years, and the remaining half was to be auctioned to the non-poor. Given the unreliability of the below-the-poverty line (BPL) lists, it was proposed to identify the poor during a meeting of the village assembly. Costs of the first year's *rabi* (winter) and *kharif* (summer) crops for the poor were to be covered by the MDA. After the expiry of the first lease, it was projected that about 50 per cent of the initial beneficiaries would have accumulated enough savings to buy their own plots of land or to engage in other remunerative activities. The remaining 50 per cent were expected to be in a position to compete for land leases at an auction along with others.

Even though this scheme was not included in the original version of MADP, its participatory orientation (since the proposal was worked out by the Panchayat with the support of the local community) and poverty alleviating potential had considerable appeal. As a result, it was included in the MADP and a special budgetary provision was made. Soon after the levelling work started. However, after levelling of 13 acres, there was no progress. A general impression was that tardiness of release of funds was the main reason. When we started making discreet enquiries, hardly any clues emerged. As the officials were tight lipped and there was in- fighting among Panchayat members, we had no leads whatsoever until we ran into a local politician. He revealed how an influential *Jat* MLA (a member of the legislative assembly) had manipulated the transfer of funds to a similar project in a predominantly *Jat* area (while the scheme was meant for the betterment of the backward *Meos*). We followed up this lead and found corroborative evidence. What was surprising was that this manipulation was not detected in any of the supervision missions.[10]

(b) Collusion, Capture and Rents

The sub-project proposals prepared by CIGs would be submitted to the VDC, consisting of Panchayat members, representatives of CIGs and other people selected by the *Gram Sabha*. In consultation with the PFT, the VDC would appraise these proposals and submit the approved list to the Gram Sabha which in turn would forward it to the ZP DPIS. Although CIGs would be responsible for the implementation and operation of sub-projects, the VDC would have overall

[9] That MADP funds substituted for other rural development expenditure cannot be ruled out. Considering that the proposed outlays under the DPIPs are substantially larger and state governments are experiencing fiscak stress, the net additionality of funds under this scheme is likely to be reduced.
[10] For details, see Gaiha (2001).

responsibility for implementation at the village level. Thus local institutions- especially the VDC and to some extent the Gram Sabha- would have a pivotal role.

Although the Appraisal Reports emphatically reject relying on *Panchayat Raj* Institutions (PRIs), it is difficult to understand how the dominance of *Panchayats* and through them of locally powerful individuals can be avoided- especially since all *Panchayat* members are included in the VDC. In earlier collaborative work, based on field-evidence from from three districts in Uttar Pradesh, I have drawn attention to collusion between the *Panchayats, Panchayat* Secretaries and Village Level Workers in implementing anti-poverty programmes (viz. the *Jawahar Rozgar Yojana* and Integrated Rural Development Programme) and extraction of rents[11]. Bribes, commissions, and embezzlement of funds were common. Given the quasi-monopoly power of the *Panchayats* in land allotment, public employment and other services, there were ample opportunities for earning rents. Even under the revamped system, our survey revealed that transparency in decision-making of the *Panchayats* was lacking. Information relating to outlays, eligibility requirements, selection of activities and muster rolls of participants was tightly controlled by a small group of *Panchayat* members and a few key functionaries. Local elites benefited in several ways- either as participants or through contracts for supplies or through assets built that favoured them more than the community (e.g contour bunding). Acts of corruption remained undetected, or unpunished, if detected, largely because of the ineffectiveness of the *Gram Sabha*. The *Gram Sabha* meetings seldom took place. Even when they did, they were no more than rituals. They were not publicised, their frequency was disputed, the agenda were manipulated, caste and other important factors influenced decisions, and intimidation and violence were frequently employed to force compliance.[12] On the other hand, higher authorities were powerless under the new legislation (i.e. the 73rd Constitutional Amendment) because the Chairpersons of the *Panchayats* can only be dismissed if there is a no-confidence motion against them.[13]

In any case, going by field-evidence from Maharashtra villages, the experience of working with parallel organisations such as the VDCs that draw largely upon the Panchayats has been unsatisfactory[14]. This is largely because the VDCs reproduced many of the shortcomings of the Panchayats- in particular, locally powerful individuals manipulated decisions of the former to serve their own interests better, and the poorest were excluded.

Briefly, two parallel organisations (viz. the Village Development Assembly and Village Development Council, the VDA and VDC, respectively) were created to target the rural poor

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[11] For details, see Gaiha, et al. (1998), and Gaiha et al. (2000).

[12] That Gram Sabha meetings are unrepresentative and inconsequential is confirmed in other studies too. Kuhn's (1998) account of the meetings in Udaipur district which he attended, for example, differes only slightly in details. The *Gram Sabha* meetings usually clashed with busy agricultural periods; attendance was usually low; much of relevant information-especially grants received and their allocations-were concealed; lists of (eligible) beneficiaries of anti-poverty programmes were either not reported or manipulated; while there were a few violent clashes, apathy among the poorer sections towards the Panchayats was pervasive.

[13] A District Magistrate lamented the loss of his authority to dismiss the errant Chairpersons. He also summarily denied an ability to use other means to curb the rent-seeking behaviour of the Chairpersons. On the other hand, a high degree of social stratification, with upper castes occupying key positions, limits somewhat the prospects of collective protest (Gaiha and Kulkarni, 2000).

[14] For details, see Gaiha (2000).

under the Maharashtra Rural Credit Project (MRCP).[15] The motivation underlying these new institutions was similar i.e. to avoid heavy dependence on the Panchayats.

In principle, the VDAs/VDCs had an important role in identifying beneficiaries, arranging for loans and in their follow-up. Their formation, representativeness and functioning were thus crucial to the targeting of the MRCP. However, the picture that emerged from our survey of three villages in Pune District was not encouraging.

The VDCs were constituted by the participating banks somewhat hastily and in an ad hoc manner to launch the MRCP. Locally influential persons/groups along with a few SC/ST representatives were inducted. A few *Panchayat* members – including the *Sarpanch* – were also included. The relationship between the VDAs and VDCs was somewhat vague. Although bank officers and NGOs were supposed to participate in the VDC meetings, it was usually a ritual.

Since there were no elections and usually the bank nominated SC/ST and other members, the VDC was not a representative body.[16] Moreover, the nominated SC/ST members were unaware of the objectives, procedures and decisions.

The VDC met once a month. The agenda were not announced. The venue was a *Gram Panchayat* office or a temple. As there was no quorum, the meeting was held even if there were several absentees. Selection of MRCP beneficiaries was seldom discussed. Either the *Sarpanch* or the *Gram Sev*ak nominated the beneficiaries. The list of poor households (i.e. those below the poverty line) was in the custody of the *Gram Sevak*. Although the list was faulty (sometimes 80-90% of the households in a village were included), no questions were asked about its reliability.[17] Even self-nomination of influential persons (a Vice-President of a VDC, for example, nominated himself) was seldom challenged. If the poorest got included in the list of potential beneficiaries, it was either through the initiative of NGOs and *Sahyoginis* (field-workers of NGOs) or through their own determined efforts.[18] Attention was also drawn to the nexus between bank staff and VDC, resulting in substantially higher loans to relatively affluent persons. The minutes (including the list of beneficiaries) were usually in the custody of the Chairperson or the Secretary of the VDC. That the exclusion of the poorest was to some extent deliberate cannot therefore be ruled out.

To sum up, the functioning of the VDCs was neither participatory nor transparent. Given the weak accountability mechanisms, arbitrary selection of beneficiaries remained uncontested. So the replacement of the *Gram Panchaya*t and *Gram Sabha* by the VDCand VDA, respectively, hardly made a difference.

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[15] This was a joint project of IFAD and Maharashtra government.

[16] Although eight out of the fourteen members of the VDC in Mohkal were poor, they did not have any role in decision-making.

[17] The bank staff were reluctant to verify the economic status of a household included in the list of poor households maintained by the *Gram Sevak*/.village level worker.

[18] The poorest ST beneficiary in Mohkal, for example, lobbied hard for his inclusion.

(c) Incentive Compatibility

As noted earlier, in the organisational set- up, there will be different mixes of officials, elected representatives, NGOs and others. There is a strong presumption that these stakeholders – officials and elected representatives on the one hand, and elected representatives of the *Panchayats* at different levels on the other- can be induced to work together towards the betterment of the lives of the rural poor, through sensitisation to some basic values and appropriate performance based rewards. More generally, some recent work has drawn attention to synergy between public and civil society organisations, driven presumably not so much by economic rewards as by a desire for civic engagement, a sense of collective identity and social responsibility.[19] A special case of synergy is embeddedness in which the public–civic relations are mutually reinforcing[20]. It must, however, be emphasised that the criteria for determining successful cases differ and the range of activities and contexts covered is large (Robinson and White, 2001). More often than not, the public –civic relationships are *adversarial*, or *displacing*, or *competitive*.[21] The Indian evidence is mixed.

In the initial phase of reorganisation of the *Panchayats* in Uttar Pradesh (UP), following the 73rd Constitutional Amendment, there was an arbitrary reassignment of responsibilities[22]. All areas except village hygiene and sanitation remained under the overall control and supervision of state and district agencies in blatant violation of the constitutional provisions. Effectively, the District Magistrate retained overall responsibility for some of the most important anti-poverty programmes (such as the JRY and IRDP). That the bureaucracy (or, more generally) official agencies could overextend its (their) domains had a lot to do with an unstable party coalition (between the Samajwadi Janta Party and Bhartiya Janta Party) and unsettled conditions in the hill areas.[23] In a striking contrast, the Karnataka case points to another source of aberrations: relative bargaining strength and skills of the Panchayats at different levels. Given a relatively stable political environment and a well carved out role for the bureaucracy, the battlefield shifted to the *Panchayats*. As it turned out, most of the major schemes were monopolized either by the *Zilla Panchayats* or *Taluk Panchayats,* especially the latter, with a minimal role for the *Gram Panchayats*.[24]

More pertinent in the present context is the "People's Planning Campaign " launched by the State Planning Board in Kerala in 1996. Not only were community choices similar to those of line agencies earlier but there was also a general neglect of ecological considerations.[25]

[19] See, for example, Tendler (1997) for corroborative evidence from Caera in north-eastern Brazil. Reddy (2001), on the other hand, argues emphatically against a narrow economic view of incentives.

[20] Evans (1996) defines embeddedness as "mutually reinforcing relations between governments and groups of engaged citizens". He elaborates that it involves " An intimate interconnection and intermingling among public and private actors……combined with a well-defined complementary division of labour between the bureaucracy and local citizens, mutually recognised and accepted by both sides" (p.1119).

[21] For an earlier contribution to this debate, see Dreze and Sen (1989).

[22] For details, see Gaiha et al. (2000).

[23] Field-evidence from three blocks in Udaipur district gathered by Kuhn (1998) also presents a grim picture. He found that, at the level of the *Panchayat Samiti*, the BDO's authority reigned supreme. In a particular case, the BDO was openly defiant of the authority of a female head of the *Panchayat Samiti*. In fact, the antagonism between the elected representatives and officials was widespread and often caused delays in approval and execution of projects.

[24] For further details, see Gaiha et al. (2000).

[25] For a more detailed review, see Gaiha and Kulkarni (2002).

As part of this Campaign, 100,000 volunteers were trained to assist local bodies. In *Gram Sabha* (village assembly/ward) meetings, more than two million people expressed their felt needs; voluntary experts and ward representatives identified the main problems and drafted development reports; based on these reports, sectoral task forces—comprising local officials, voluntary experts and resource persons—drafted project proposals; Village *Panchayats* then prioritized these proposals within a broad set of guidelines for sectoral allocations; the local plans of 991 Village *Panchayat*s were integrated in 152 block *Panchayat* plans and 14 district *Panchayat* plans; in consultation with district-level officers, block- and district-level *Panchayat* representatives approved the plans in seminars; and, finally, district- and block-level expert committees gave the required technical sanctions.

The local plans in 1997-98 produced nearly 68,000 projects, from repairing irrigation ponds, to developing cooperative vegetable gardens, to establishing women's enterprises, building houses for squatter families and reviving ritual traditions. Delays were avoided through informal rules developed between different stakeholders. The adoption of productive and sustainability goals in the local plans, however, shows a mixed record (Vernon 2001). Compliance with prescribed sectoral allocations was weak since the majority of projects were consumption-oriented, individual beneficiary schemes were more common than group-based activities, and subsidy rates were high. The bulk of beneficiary contributions were mandatory contributions for receiving subsidized goods. Furthermore, the projects were partial interventions such as single-crop schemes that neglected ecology and marketing. In sum, most projects were qualitatively similar to those implemented by line agencies earlier (Vernon 2001).

Among the few exceptions to this record, however, was the establishment of a "labour bank" through the initiative of an agricultural officer of a south Keralan village *Panchayat*, designed to ensure assured supply of labour at short notice, a crucial requirement for paddy cultivation. A new body, the "Farmers' Helping Group", composed of *Panchayat* representatives, representatives of farmers and labourers, and government officers, was constituted. This Group negotiated a fixed wage rate, provided training and subsidized farm inputs. As a result, within a short period, there was agricultural intensification and employment generation, and reversal of environmentally unsound conversion of wetland. Both the participating labourers and farmers benefited.

Another exception relates to the integration of environmental concerns in some sectoral projects. For housing projects, for example, an NGO produced environment-friendly building materials. In a few cases committed government officers and scientists were instrumental in promoting the use of environment-friendly technology. In general, however, this was not the case (e.g. soil and water conservation projects failed as they were not part of an overall watershed management plan).

While decentralized planning thus expanded the scope for civil society, *Panchayats*, NGOs and officials to implement sustainable-development projects, community participation alone did not lead to environmental projects. To some extent, the neglect of environmental impact assessment and monitoring of environmental standards by state institutions also contributed to the unimpressive record of decentralized planning in sustainable development.[108]

Although it was notable for its financial devolution and the involvement of communities in identifying, designing and implementing projects, the new Kerala model failed to produce the desired results for several reasons.

Despite the greater transparency in decision-making, the network among locally influential persons led to an arbitrary selection of projects. One of the reasons was that, confronted with the often harsh trade-offs between immediate livelihood needs and long-term environmental protection, the former apparently became a stronger consideration. As a lesson borne out by decentralized planning in sustainable development, it bears repeating that sensitivity to environmental concerns cannot be taken for granted even in communities that depend heavily on natural resources.[26] The immediate concerns expressed in village development plans need to be counterbalanced by the spatial and temporal externalities that would be articulated in higher-level planning. This is easier said than done, considering the difficulty of reconciling conflicting interests between popular participation and top-level planning.

A crucial requirement for community-based development is to clearly identify and strengthen areas of synergies between the state government, the local bodies and the civil society. The Kerala model has tried to induct local civil servants into the process of decentralized planning. In addition, the transparency of financial allocations has also increased. Yet much depends on the commitment and dynamism of a few officials and development volunteers.

(d) Common Interests Groups (CIGs)

As emphasised earlier, CIGs are central to the DPIP as a mechanism for targeting the rural poor. These groups would also be responsible for implementation of approved sub-projects. As the most disadvantaged groups or the poorest lack information and organisational skills, the DPIPs seek to overcome these constraints through awareness-building and training. The field-evidence that I gathered for the the MRCP in Maharashtra and MADP in Haryana raises a few serious concerns.[27]

Self-help groups (SHGs) were formed in Mewat for channelling credit to women. Although composed entirely of women from (relatively) affluent households, already a significant shortcoming, SHG formation and their linkage to banks has tended to be slow. The main reasons were male resistance, a generally helpful attitude of bank staff and limited interaction with NGO field-staff. Nevertheless, benefits to SHG members and to the community at large were not negligible. By contrast, the majority of members of SHGs in Pune District (about 80 percent) were poor. In most cases, the formation of SHGs and their interface with a

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[108] As Vernon (2001) observes, the absence of private-public synergies at the macro level in regard to environmental protection counteracts the efforts of decentralized environmental planning, and may limit considerably Kerala's prospects in achieving sustainable development.

[26] This is particularly relevant in the context of the DPIPs' concern for environmental protection. See, for example, Annex 2, Attachment 9 in World Bank (2000).

[27] For details, see Gaiha (2000, 2001).

bank took about two years or more. They functioned satisfactorily and contributed substantially to both household and community welfare. The evidence, however, also points to exclusion of the poorest, due to lack of information, social resistance, and biases of implementing agencies.[28]In fact, the training imparted by the NGOs was much too brief (2-3 days) while that given through more specialised agencies largely irrelevant. Besides, training modules specifically for the poorest/most disadvantaged groups did not exist.[29]

That the exclusion of the poorest was widespread was confirmed in other cases as well. This is of course not surprising, given the nature of 'the common interests'. But there were other problems too that affected their functioning and limited their welfare enhancing impact.

As dairying is an important source of supplementary income for both poor and non-poor households in Mewat, its development was assigned considerable importance in the MADP. Given a large number of small suppliers of milk and colluding private buyers, usually the former were at the mercy of the latter. The entire output of milk net of self-consumption requirements was precommitted to a buyer at a low price. Milk Producers' Cooperatives as part of a three-tier Federation were promoted under the MADP with a view to ensuring that small suppliers of milk obtained remunerative prices and substantially larger supplementary incomes.[30] As part of this promotional strategy, 177 dairy marketing cooperatives and 36 mini dairy units and milk collection centres were set up; and the milk chilling centre in Nuh was revived.

The cooperatives comprised mostly (relatively) affluent households, with average incomes almost two and a half times the poverty cut-off point. The average landholding was 10.5 acres; each household had cattle (buffaloes, cows, calves); and all but one also owned other assets in the form of agricultural equipment (hand pump, tractor) and consumer durables (TV, radio, bicycle, motor cycle).

Whether milk producers' cooperatives had the desired effect on the well-being of milk suppliers seems doubtful primarily because the latter continued to depend heavily on private buyers despite the fact that the price offered by them was lower. Private buyers compensated partly for the lower price by offering advance cash payment and/ or credit for buying buffaloes and contingencies. Given the acute need for credit, some members switched back to private buyers when family circumstances changed or it became imperative to borrow. Mismanagement of Village Cooperatives and lack of transparency in their functioning, and inefficient milk testing

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[28] S. Kothari, managing trustee of an NGO involved in the MRCP, drew attention to the neglect of backward villages in the interior by the participating banks. This observation was corroborated by the representatives of NABARD and the Bank of Maharashtra. Apart from the difficulty of covering remote and inaccessible areas with limited staff, it was asserted that for an SHG in a tribal concentration to be viable takes up to five years, as against two to three years in most other places, overlooking that the longer period may be related to the quality of support offered by various implementing agencies, including the NGOs and banks.

[29] This was admitted by S. Kothari in an interview with the author. More generally, there was a strong presumption that financial sustainability of the MRCP would be weakened by the inclusion of the poorest. For details, see Gaiha (2000).

[30] The three-tier structure comprised Village Cooperative Societies, District Cooperative Union, and Haryana Dairy Development Cooperative Federation (at the state level). The Societies elected a Managing Committee every three years. Representatives of the Societies formed a Cooperative Union at the district level. Village Societies were responsible for milk collection.

procedures contributed to a growing disillusionment among the milk suppliers.[31] As a result, in some cooperatives there was a sharp reduction in membership, a marked reduction in milk collection and the viability of the Federation was threatened.

Another CIG comprised farmers involved in horticulture. The soil and climatic conditions of Mewat favour horticulture. Several kinds of vegetables and fruits are grown easily. Two strategic options were relevant: expand the area under agriculture by expanding irrigation and/or intensify horticulture in the irrigated areas by introducing better quality inputs and improved pre-harvest and post-harvest management practices. For various reasons, the MDA chose the latter option.

The beneficiaries were highly affluent farmers, with an average income nine times higher than the poverty cut-off point. Besides, the participants reaped substantial benefits in the form of higher yields and revenues. Full potential benefits were, however, not realised due to marketing, credit and input supply constraints. Nor was technical support adequate.

The selection of beneficiaries was largely ad hoc in nature, resulting in the exclusion of marginal and small farmers in violation of eligibility criteria. Rationing worked against the participation of the poor. Being less informed, they were less likely to present themselves at places where they could register with the scheme. They were also excluded because assistance was restricted to those favoured by the *Panchayats*.[32]

Mewat is mostly semi-arid and subject to frequent droughts. Two-thirds of the area has brackish water, restricting its use for irrigation. As a result of excessive pumping**,** the water table has fallen steadily. Since the Aravali Hills are devoid of vegetative cover, the heavy run-off during the monsoon season causes acute soil erosion. Excessive grazing of animals has aggravated the drought- proneness of the region. Under these conditions, considerable importance was attached to soil and water conservation under the MADP. The objective of this component was to increase rainfed cultivation over 16000 ha. with better watershed management practices[33]. In principle, the strategy was to use state-of-art techniques with active community involvement. It was proposed to form watershed associations or committees around the work-sites.

Most of the beneficiaries of watershed development were quite well-off.[34] While the benefits in the form of prevention of heavy run-off were non-negligible, changes in cropping

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[31] Complaints were also voiced against the negligent attitude of and absenteeism among the field-staff, and the lack of professionalism among the Secretaries of the cooperatives. These resulted in low collection of milk, adulteration and delays in payments. The field-staff seldom checked milk collection and testing and were often unavailable for days to sign the bills without which the milk suppliers could not be paid. Even small villages had two three cooperatives, none of them viable without subsidies. For details, see Gaiha (2001).

[32] It is arguable that the poor were not completely excluded from the benefits of the scheme as agricultural wages- especially for female labourers- rose sharply. But these benefits were a small fraction of the benefits to participating farmers through higher yields. For details, see Gaiha (2001).

[33] In common usage, a watershed is understood to be a catchment area feeding an identifiable drainage system, such as a stream or river. Watersheds contain a number of biophysical resources: soil and water, along with vegetation in the form of trees, grasses and crops, and provide sustenance for a number of further enterprises such as livestock production (Farrington et al. 1999).

[34] All except one of the (sample) beneficiaries were non-poor, with incomes well above the poverty cut-off point.

patterns and increases in yields were well below the potential. Consequently, employment and wages also rose slightly. An important reason was deficient rainfall during the three years preceding the survey. The design and execution of watershed projects were also unsatisfactory in some respects. Specifically, in the absence of a master plan for watershed development, it is doubtful whether the sites selected reflected regional priorities; there were some design defects and the quality of compaction in some of the structures was unsatisfactory; and the communities' involvement in the design and execution of these projects was minimal.[35] As a consequence, the communities did not 'own' these assets, raising serious concerns about their maintenance and durability. A related concern is the prospect of distributional conflicts, arising from a general neglect of all groups other than those with farms within a small radius of a watershed structure. Since it is arguable that equity and sustainability of watershed development are closely intertwined, this is a rather glaring omission.

Reluctance to contribute towards the maintenance of watershed structures had little to do with lack of ability to contribute since most of the beneficiaries were well above the poverty threshold. Rather, it reflected an attitude of dependence on an outside agency (i.e. MDA) and absence of a sense of ownership. Besides, another major contributory factor was the cynical attitude of Soil and Water Conservation staff towards the community and local institutions- especially the Panchayats. Inactivity of and factionalism within the *Panchayats* tended to reinforce this cynicism.

An analysis of determinants of cooperation in irrigation communities, based on a large survey in Tamil Nadu, yields additional insights.[36] Cooperation is low when inequality in landholdings is high, and when there are strong urban or market connections. On the other hand, cooperation is positively linked to duration of access to water, social homogeneity, small group size, and proportional cost sharing. Besides, when the water allocation rules are crafted by the village elite, there are fewer violations by them. But when the rules are jointly crafted, as opposed to by the elite or by the government, there is greater compliance.

(e) Dynamic Group Network Externalities

There is often a presumption that formation of CIGs- especially SHGs- is costly because it involves lengthy involvement of an external agency (usually an NGO). In the context of the DPIP, the PFT performs this function. This presumption does not take into account the dynamic effects of the SHGs (or, for that matter, of any other CIG). A successful SHG, for example, stimulates the formation- at a much lower cost-of other groups in the same or neighbouring villages. The cost of delivering credit to the poor through SHGs may therefore be substantially lower. Some other externalities on the benefit side are likely to be equally, if not more important. If participation in an SHG imparts greater self-confidence to women, adds to their social awareness and broadens their spheres of activities, the valuation of such benefits of SHGs could enhance substantially the cost-effectiveness of credit through them.

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[35] A group of respondents was emphatic that it was completely unaware of how it had been decided to build the watershed structures. As there was no evidence in the villages of the presence of a watershed association or any user groups, it is hard to resist the conclusion that the Department of Soil and Water Conservation showed undue haste to complete the works with minimal, if any, community involvement.

[36] For details, see Bardhan (2000).

There was general confirmation of a few successful SHGs inducing the formation of other SHGs in the same and neighbouring villages over time in the Mewat study (Gaiha, 2001). A mechanism cited by several respondents referred to SHG members inviting their friends/relatives from different villages to attend training/orientation camps. Many of these returned to their villages to motivate others to form SHGs. NGOs also contributed significantly to the transmission of group network externalities by drawing attention to success stories when addressing male resistance. The formation of "knock-on" SHGs was reportedly much quicker. Many of them were mixed and functioning (at the time of the survey). More significant, however, was the transformation of women's role in the community sphere where SHG members (as well as other women) became more assertive about larger social concerns (e.g. prohibition).

IV. Concluding Observations

Some observations are made below to assess the DPIPs from a broad policy perspective.

There is a growing realisation now that local communities- especially the poor- must have an important role in the design and implementation of programmes that are meant for their economic and social upliftment. Social funds are a response to this concern. Their record, however, has been mixed. Provision of services continues to be supply- driven but with a different cast of characters. Local priorities and needs –especially of the poor- are either sidetracked or addressed inadequately. Some evidence also suggests that communities often demand services that they are likely to get as opposed to what they really need.

The DPIP in India seeks to overcome some of these constraints by giving the local communities-especially those who are most disadvantaged- a central role in the design and implementation of sub-projects that are vital to their livelihoods. In pursuit of this objective, an elaborate organisational structure at the state, district and village levels is created to ensure that local needs and priorities are given due importance. Since the poorest or most disadvantaged lack awareness of various options under this Project and organisational skills to design and implement sub-projects, their capacity-building is a key strategic element. Another key strategic element is attitudinal and behavioural transformation of various stakeholders-especially bureaucrats and elected representatives- through sensitisation programmes.

Some of these innovations may make a difference to the lives of the rural poor. However, it is difficult to resist the conclusion that some of the risks to which earlier critics have drawn attention cannot be ruled out, albeit their forms are likely to be different. Bureaucratic control and interference at the state and district levels would result in supply side distortions; at the village level, the Panchayat members would cater to the interests of the local power structure while the CIGs are likely to exclude the poorest. Unless the poor have the collective strength to affirm their interests, they are not likely to benefit much from this new initiative for these reasons. This is of course easier said than done but a shift of emphasis from participation to their moderate but sustained economic betterment is the key to their empowerment. More careful attention to income enhancing options in a given context would thus have a higher payoff over time than merely channelling funds to hastily formed CIGs without adequate representation of the poor for activities that are weakly linked to their well-being.

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