

### **Thangavel Palanivel's comments on the presentations made at the Session 3: Poverty Reduction and Participation**

I welcome the opportunity to comment on two papers/presentations: (i) James Foster and Sabina Alkire's paper/presentation on the Multidimensional Poverty Indicators in India and (ii) Vijayendra Rao's paper/presentation on the role of local government in deepening democracy in India.

Let me first start Rao's paper. The aim of Rao's paper is to examine the impact of a two-year effort during 2007-09 to deepen democracy in the poor and arid region of north Karnataka in India. During the late 1990s, Kerala pioneered some successful local planning interventions (general called as People Plan Campaign) to deepen democracy in the process of implementing the 73rd amendment. The central objective of this paper, therefore, is to examine whether Kerala's experiment can be replicated in more unequal and less literate northern districts of the neighbouring state of Karnataka.

In my view, it is an excellent paper on the impact evaluations of governance policy interventions. The underlying hypothesis is that the community participation will improve public service delivery and reduce corruption. The idea behind for hypothesis is that local community members are the people who benefit from a successful programme and so may have better incentives to design and monitor programmes than bureaucrats from central and state government. In fact the central focus of the 2004 World Development Report is also the same: "putting poor people at the centre of service provision: enabling them to monitor and discipline service providers, amplifying their voice in policymaking, and strengthening the incentives for service providers to serve the poor". Therefore the underlying framework of the paper is sound and excellent.

The paper's also has an excellent methodology, as it combines a randomized control trial (RCT) with in-depth ethnographic research to understand the mechanisms behind the changes in outcomes. In that sense, this paper is a welcome departure from most of the previous impact evaluations of government policy interventions.

The paper begins with a literature review. It highlights a number of randomized control trial studies which generally find limited impact of community participation in achieving the desired objectives. However, the paper also highlights that a number of qualitative studies on impact evaluations, which generally arrive to more optimistic conclusions. Overall I found the literature review to be interesting and useful.

The paper then presents the methodology in detail. Based on the analysis of the household and village survey data from 100 treatment and 100 control villages in Northern Karnataka, the paper highlights that panchayats in Karnataka received high levels of funding. This was one of the two critical factors for the success of the Kerala programme and hence the study focused on the second element of the programme - assessing the impact of a "People's Campaign" intervention which attempted to improve the quality of participation and deepen democracy.

The study finds that after the interventions, households had greater access to information and details about various government social programmes or their eligibility for a Below Poverty Line

card, which provides access to subsidized food and other schemes went up from 53% to 85%. Tax compliance also significantly increased from 60% to 76%. It also highlights that increase in participation and knowledge was associated with improvements in the quality of government. It is clear that information about village government, participation in village government activities, and the performance of village governments significantly improved in both control and treatment areas from 2007 to 2009. Though there is a considerable change over time, the paper finds that the differences in the changes between them are not statistically significant. It then attempts to analyse the reasons for the lack of significant differences in the outcomes through some qualitative surveys. The paper highlights three reasons in this regard: (i) high levels of inequality, conflict, elite domination and low literacy; (ii) the state level bureaucrats were not integrated into the change process; and (iii) poor quality of facilitators. Overall, the paper has undertaken sound and comprehensive analysis to justify its conclusions. Therefore I would like to congratulate the authors for his painstaking and systematic effort.

**Having said that let me add some reflections whether India's Panchayati Raj Act has contributed in deepening democracy or improving delivery of public services in rural India.**

More than 22 years have passed since the landmark 73rd Constitution Amendment Act was approved in 1992. Devolution of 29 functions, reservation of 33 per cent seats for women, similar reservation for the Scheduled Castes and Scheduled Tribes in proportion to their population, statutory requirement to hold periodic elections under the supervision of State Election Commissions, transfer of funds to panchayat bodies according to the recommendations of the State Finance Commissions were some of the highlights of the act.

In my view, the Panchayati Raj Act is a paradigm shift in the local governance of India. In the last two decades, about 0.251 million panchayat bodies have been set up and local elections have been held many times for these bodies. With nearly 3 million members elected local representatives, Panchayati Raj system has indeed deepened India's democracy. With 43 per cent of 3.0 million elected representatives being women (more than 1.0 million women have been elected to office in each round), and 22 per cent of them being Scheduled Castes and another 10 per cent of them being Scheduled Tribes, this system has also provided space for inclusion of vulnerable and excluded communities in overall decision making process in India.

Similarly in April 2013, in a landmark judgment, the Supreme Court of India directed the smallest units of local governance (Gram Sabha of tribal communities) to use their powers and take a decision on whether the Vedanta group's \$1.7 billion bauxite mining project in Odisha's Niyamgiri Hills can go forward or not. The role of the village head has been increasing in local development. The biggest sign of its success is the participation of youths in local governance. Earlier, only elderly people took interest in the functioning of Panchayat affairs. Youths with professional degrees now participate in village elections. In 2011, 85 per cent people exercised their franchise even in violent prone Kashmir area. Panchayati Raj has improved delivery of essential public services. It has helped in transforming old model of public delivery essentials. Earlier there were only two models of development: Government and NGO models. Panchayati

raj is the new model of development. All these figures and development are truly impressive and unmatched by any other country in the world.

At the same time as this paper highlighted the Panchayati Raj in India has not been an absolute success. Its functioning all these years has demonstrated numerous shortcomings. The crux of the problem is really the transfer of functions, funds and functionaries. The inadequacy of funds has stood in the way of successful working of the Panchayati Raj. All over the country there are serious gaps with respect to social auditing, sectoral integration in planning, and integration of short-term and long-term visions as well as national and local priorities at the higher and lower levels.

Even in the later stage of the Kerala's People Campaign programme, the middle and elite classes withdrew from the planning process because they felt they have not been beneficiaries of this process. Similarly, even in panchayats which are less corrupt, there is a need to achieve efficiency in the utilisation of funds, as there are studies highlighting that the utilisation rates were low in many panchayats in Kerala.

The local governments and governance in India require a new deal. Each State needs to develop itself on a vision of where it stands and where it should go on the local governance. It is a shame that District Planning Committees (DPCs) have not yet been constituted or are not working properly in many Indian States.

To sum up, even 23 years after the implementation of the Panchayati Raj system, many States have not given adequate importance to decentralised governance and bottom-up initiatives. Hence in my view many Indian states failed to advance the cause of local democracy to its logical consummation and it has to travel a long way to achieve "Gram Swarajya" of Mahatma Gandhi into reality.

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Let me turn into James Foster's paper/presentation on the Multidimensional Poverty Indicators in India.

This paper thoroughly analyzes the change in multidimensional poverty in India between 1999 and 2006. They find a strong reduction in national poverty and each of its dimensions, but this has not been uniform across regions, castes, or religions. Probing further, they analyze changes in the distribution among the poor people nationally as well as within population subgroups. They find strong reductions among the poorer population nationally, but slower progress for most of the poorest groups.

In this regard, they compare multidimensional poverty using the second and third rounds of NFHS datasets. Their analysis shows a statistically significant reduction in multidimensional poverty between 1999 and 2006. Their finding supplements studies of India's monetary poverty reductions. To understand where the reduction has occurred, they explore the changes in poverty across various population subgroups. They find that reduction has not been uniform across subgroups, and that initially poorer subgroups have shown slower progress. Their finding

contrasts with the pattern of national monetary poverty reduction across states between 1993–94 and 2004–05 estimated in GoI (2009), but conforms to Radhakrishna (2014)’s assessment.

There is another paper which examines how inclusive growth in India? This paper derives growth elasticity for the MPIs to quantify how fast multidimensional poverty fell as income grew. They estimate the value of the growth elasticity of the MPI in India to be as low as 0.55, with state growth elasticity of MPIs being heterogeneously distributed around this overall value.

Both of these papers offer a much better policy tool in terms of estimating poverty. They contain some useful analysis of poverty in different dimensions. Therefore I would like to commend the authors for the quality of their analysis and the soundness of their findings.

### **Having said that let me add some of my reflections on this issue.**

One of my comments in these multi-dimensional poverty papers is that their analysis is somewhat out-dated given they focus on the period from 1999-2005. Since 2005, India witnessed a faster rate of poverty reduction. For example, as per \$1.25 a day poverty line, the rate of poverty reduction was 5.5 % per annum during 2004-10 as compared to 1.7 % per annum during 1993-04. Hence an updated multi-dimensional poverty analysis would certainly give a different picture than what James Foster highlighted in his presentation.

A related point is that nothing is easier than to recognise a poor person when you see him or her. Yet the task of identifying and counting the poor seems to elude the world's and India's best experts in the last half century. The underlying methodologies are much the same. But different experts and committees produce different poverty figures by simply shifting the poverty line. In fact in the recent years India is struggling with an important question of defining the poverty and counting the poor. In fact the debate on the extent of poverty in India has been a matter of great interest not only in India, but also in the world. One of the reason for the global interest in the debate is that the levels of poverty in India has come to exert significant influence over the trends in world poverty itself.

Within India too, poverty line and estimates have always been a matter of huge debate, but it was a discussion mostly limited to economists and policymakers. In the last few years however, the issue has gone public, following the “Right to Food” case at the Supreme Court of India. In 2011 when India's Planning Commission (which is the nodal agency in the Government of India for estimation of poverty) reported to the Supreme Court that Rs 26 (around \$0.53) per day is enough for a person in rural areas and Rs 32 for a person in urban areas to take care of his/her daily expenses on food, medicine and education and any person live above this line is not considered poor in India. This simple language poverty line submission based on the recommendation of the Suresh Tendulkar Committee in 2009, created huge national uproar and debate, as everyone understood for the first time in how Indian government estimates poverty in India.

How exactly are these numbers determined by the government of India? In 1979, an expert group (generally called as Alagh Committee) recommended that people consuming less than 2100 calories in the urban areas or less than 2400 calories in the rural areas are poor. So, food consumption became the prime criterion for India's poverty line determination in the 1980s. This

methodology has been improvised by the Expert Group (Lakdawala) in 1993 and then by the Expert Group (Tendulkar) in 2009. The Suresh Tendulkar Committee in 2009 recommended to broad base the poverty line idea on the line of the basic needs approach and added other essentials of life like education, health and transport into the food consumption model. Following the controversy in 2011 with regards to terribly low poverty line, the government formed Rangarajan Committee in 2012, which submitted its report in 2014. It not only suggested a calorie-plus norm that increases poverty numbers beyond Tendulkar but also endorsed the view that poverty estimates should not be used to cap entitlement to government benefits. Clearly, poverty is not an income issue alone; it is a state of multiple deprivations coming from many factors. Last month the government of India set up another committee under the chairmanship of NITI Aayog vice-chairman Arvind Panagariya to define poverty and prepare a road map to alleviate it. In 2009, another expert committee, set up by the Ministry of Rural Development and headed by N.C. Saxena, said that 50 per cent of Indians are Below the Poverty Line if one takes into account the criterion of calorie intake.

We should also recognise that poverty estimation is one thing, and social support is another. The purpose of poverty estimates at the macro level is to see progress over time, as poverty estimates are already delinked from entitlements. For example, one can examine whether poverty declined faster in the recent period as compared to previous period or whether anti-poverty programmes have had an impact on poverty. Which regions/states and social groups benefited during the reform period?

Poverty estimation is not just to identify which households are eligible for social support. For that we need to conduct the BPL Census. Also relevant here is the case for a universal as opposed to targeted social support. Any targeting method inevitably entails substantial “exclusion errors.” This raises the question of the BPL Census methodology. In 2002, India conducted a BPL Census involving 13 different indicators such as land ownership, occupation and education.

The government and experts have to review, from time to time, the methodologies for measuring poverty in keeping with changing needs of the population. Poverty lines are only approximations to socially-accepted minimum standards. Thus, in any poverty line approach, an element of arbitrariness is inevitable.

In the recent years, various experts and committees have come up with different ways to measure the extent of poverty. In 2012, the Indian government stated 21.9% of its population (about 269 million) is below its official poverty limit. The World Bank, in 2011 based on 2005's PPPs International Comparison Program, estimated 24.6% of Indian population, or about 300 million people, lived below \$1.25 per day on purchasing power parity.

For poverty estimates in 2005, committee under Suresh Tendulkar estimated it at 37%, while another led by NC Saxena said 50%, and in 2007 the Arjun Sengupta commission identified 77% of Indians as "poor and vulnerable". The World Bank's PPP estimate of Indian poverty was higher than 40% in 2005, while the Asian Development Bank arrived at almost 50%. The UNDP's Multidimensional Poverty Index finds the proportion of the poor to be about 53%.

We all know that in 2005 India has about 400-500 million people living under extreme poverty conditions, which are huge numbers by any standards. We also know that India has the largest number of the poor in the world in 2005 or now. We also know that growth elasticity of poverty is sensitive to the poverty line used because the rate of poverty reduction is generally higher for low poverty line (say \$1.00 or \$1.25 a day) compared to higher poverty line (say \$2.00 or \$2.50 a day) for any country. We also knew that each poverty approach has its own merits and demerits. For example, MPI has lots of advantages. It allows us to zoom poverty situations at more disaggregated levels in 10 different dimensions. But the problem is that someone may feel why only 10 dimensions. He or she may want to include another 10 additional dimensions such as happiness, pollution, freedom, etc. Hence the question is where to stop.

We also know that measurement is only the beginning of a long drawn process. After the measurement, we should conduct further diagnostic analysis not only to understand the reasons behind the increase or decrease in poverty estimates, but also why in certain periods poverty decline more rapidly than in other periods. For example, James Foster in his presentation highlighted that India's rate of poverty reduction has been much slower than that of its neighbours such as Bhutan, Nepal and Bangladesh. But if one looks into poverty numbers of these countries, one can raise a number of questions. Take the case of Nepal. The multi-dimensional poverty has declined from 65 % in 2006 to 44 % in 2011 – 21 percentage points in just five years period. Similarly if we go by \$1.25 a day poverty line, then poverty declined from 53 % in 2003 to 25 % in 2010 - 29 percentage points in just seven years period. Naturally one would want to know how Nepal could achieve such remarkable progress in poverty when the country was going through serious Maoist related violence and political crisis with economic growth of mere 3-4 percent per annum. Some experts attribute that remittances played an important role. If that is the case then why have remittances not contributed similar rate of poverty reduction in countries like the Philippines. Therefore I find this whole debate focusing on the poverty line and measurement to be not useful beyond certain point. Measurement is important and we should certainly keep on improving the definitions of poverty lines. But we should not lose sight of the forest by wasting our energies and efforts on counting trees all the time. Therefore we have to look at the larger and bigger challenge as to how we can work on eradication of poverty in all dimensions through strategic policies and interventions.