



Country studies

Poverty in Asia and the Pacific :

- India (Kerala state)
- Nepal
- Mekong River Basin
- Pacific Islands

Poverty Reduction through Decentralization— Lessons from the Experience of Kerala State in India

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1. Assessment of Poverty in Kerala

a. Introduction

Kerala is a relatively small state located at the southern tip of India. Table 24.1 summarizes the salient features of Kerala's development compared with that of India as a whole.

Table 24.1. Features of Development in Kerala Compared to India

	India	Kerala
1. Area	3,287,263 km ²	38,863 km ²
2. Population	846.3 Million	29.1 Million
a) Male	439.2 Million	14.3 Million
b) Female	407.0 Million	14.8 Million
3. Sex Ratio	927/1,000	1,036/1,000
4. Density of population	274/ km ²	749/ km ²
5. Literacy		
a) Male	64.13%	93.62%
b) Female	39.29%	86.17%
c) Total	52.21%	89.81%
6. Life Expectancy		
a) Male	60 years	70 years
b) Female	62 years	72 years
7. Infant Mortality	74	13
8. Population below Poverty line	36.3 %	28.4 %
9. Per capita income	Rs14,682	Rs17,756

Source: Various years, National Sample Survey (NSS)

Kerala's development achievement has often been held up as a model and an object lesson to countries having relatively low economic development. It is hailed for its equity and is cited as an example of what mass mobilization and public action can achieve when a responsive democratic government is in place. The widespread provisioning of health care and educational services has spearheaded the achievement of all-around human development.

Kerala has achieved commendable success in attaining good coverage of basic minimum services. Its universal public distribution system provides good food security; its social security systems, in the form of pensions to vulnerable groups and welfare funds for various types of laborers, are also reasonably widespread. These have prevented abject poverty. Thus, from the point of view of capabilities as well as entitlements, Kerala appears to have performed better than other Indian states in tackling the problem of poverty.

For nearly two decades after the landmark study by the Centre for Development Studies, Trivandrum (1975), brought out the peculiarities of Kerala's development process, the accent had been on analyzing the various aspects of the Kerala model and their contributions to social and human development in spite of lagging economic development. However, in the last few years, attention is being focused on the sustainability of Kerala's development experience, and in this context, there is increasing emphasis on the state's persistent poverty and on identifying its causes and delineating its features.

Kerala's recent initiatives in democratic decentralization have brought to the fore issues related to poverty and the role of different tiers of local government in poverty reduction. As participatory micro-level planning is being institutionalized, the need for capturing clear and sharp data on poverty and the question of a socially acceptable method for identifying the poor have assumed importance. It has opened up possibilities for perceiving poverty in its multidimensional character and formulating a strategy for multipronged attack. In this context, assessment of poverty at the local level can no longer be through vague and crude measures; such assessment must be transparent, comprehensive, and simple, reflecting the perceptions of the people along with those of the experts.

b. Traditional poverty assessment

As in the rest of the country, the quinquennial National Sample Survey (NSS) data have been used to identify the extent of poverty in Kerala state with respect to percentage of people below the poverty line. Based on this assessment, central government funds for various antipoverty programs are released to the state. The figures are summarized in Table 24.2.

Table 24.2. Percentage of Families Below the Poverty Line

Year	Rural	Urban	Total	All-India Figure	All-India Rank (least poverty)
1973-74	59.19	62.74	59.79	54.88	21
1977-78	51.48	55.52	52.22	51.32	12
1983-84	39.03	45.68	40.42	44.48	16
1987-88	29.10	40.33	31.79	38.86	10
1993-94	25.76	24.55	25.43	35.97	7

Source: National Sample Survey (various years).

Over a period of two decades, these figures show that Kerala has achieved the greatest decline in poverty levels (-55.08%), next only to Punjab (-60.54%). Moreover, its relative standing among the states has improved significantly, to seventh position from a low of 21st. This achievement despite low economic growth further validates Kerala's human development focus.

c. Other measures related to poverty assessment

K. P. Kannan (2000) has highlighted Kerala's human development achievements compared to those of other Asian countries. Using the United Nations Development Programme methodology (index of survival deprivation; deprivation of education; and deprivation in economic provisioning with respect to safe water, health services and undernourished children), the Human Poverty Index (HPI) for Kerala is 0.15, whereas it is 36.7 for the whole country. Similarly, the Human Development Index (1995) (index of life expectancy, educational attainment, and income) for Kerala has been calculated as 0.628, whereas it is only 0.451 for the whole country. The HDI and HPI values for Kerala and some Asian countries, as shown in Table 24.3, make an interesting comparison.

Table 24.3. Human Poverty Index and Human Development Index Values for Kerala and Selected Asian Countries

Country/State	HDI Value (1995)	HPI Value (1996)
Kerala	0.628	15.0
India	0.451	36.7
Sri Lanka	0.716	20.7
Thailand	0.838	11.7
Malaysia	0.834	
Indonesia	0.679	20.8
People's Republic of China	0.650	17.5

Blank cells = not available.

Source: Calculated based on National Sample Survey data.

Hirway and Dev (2000) have quoted Capability Poverty Measures (index of percentages of undernourished children, women with noninstitutional deliveries, and female illiteracy [CPM-1 using the stunting concept, CPM-2 using the wasting concept]). The position of Kerala is given in Table 24.4.

In only two states, Kerala and Tamil Nadu, are CPM results better than income poverty findings. Hirway and Dev (2000) have also constructed Human Development Measures: HDM-1 to measure capabilities and opportunities at the micro level and HDM-2 to measure capabilities and opportunities at the micro level. The details regarding Kerala are given in Tables 24.5 and 24.6.

Table 24.4. Comparison of Capability Poverty Measures in Kerala and India

Years	Primary Schools		Middle Schools		High Schools		Colleges	
	Women (nos.)	Gender Ratio	Women (nos.)	Gender Ratio	Women (nos.)	Gender Ratio	Women (nos.)	Gender Ratio
1974/75	15,678	43.5	1,266	36.7	911	39.8	96	36.2
1980/81	18,595	45.8	1,412	36.4	1,055	39.7	119	37.9
1985/86	22,441	41.0	1,893	43.4	1,420	40.0	158	48.9
1990/91	31,124	37.5	3,446	64.8	2,395	36.6	222	56.9
1996/97	46,691	44.8	6,425	78.6	3,367	47.8	296	59.0
1999/00	76,000	80.4	11,100	80.4	5,400	62.1	309	64.4

Note: CPM-1 uses stunting concept; CPM-2 uses wasting concept.

Source: Hirway and Dev (2000).

Table 24.5. Human Development Measures for Kerala at the Macro Level

Income & Poverty Index	0.642 (1) ^a	
Education Index	0.909 (1)	
Health Index	0.951 (1)	HDM-1 0.636 (1)
Housing Index	0.089 (13)	
Participation Index	0.587 (1)	

Notes: HDM-1 = Human development measures, macro level. ^a The all-India rank is shown in parentheses.

Source: Hirway and Dev (2000).

Table 24.6. Human Development Measures for Kerala at the Micro Level

Ecology & environment index	1.000 (1) ^a	
Basic Services Index	0.646 (3)	
Regional disparity index	0.954 (3)	HDM-2 0.807 (2)
Patriarchy Index	0.626 (2)	

Notes: HDM-2 = Human development measures, micro level. ^a The all-India rank is shown in brackets.

Source: Hirway and Dev (2000).

These measures point to the positive features of Kerala's development experience, with its focus on health care, education, and other public services and the historical bridging of the gender gap. These measures, except for HDM-2, give Kerala the top position in the country in respect of quality of life and human development.

d. Below-poverty-line surveys

While the flow of central government funds for poverty alleviation is based on National Sample Survey (NSS) data interpretation, activities are formulated and funds spent at the state level according to periodic surveys of Below Poverty Line (BPL) families.

With the advent of the strategy of direct attack on poverty at the national level, the Government of India directed Kerala state to survey households to identify BPL families based on an income cutoff limit known as the poverty line. This income limit is calculated on the basis of the income required to maintain a minimum quality of life, particularly in terms of caloric value of food consumption. Surveys were done in 1985, 1992 and 1997. For the 1997 survey, the income limit was fixed at Rs3,930/- per capita per year. The results of the surveys are summarized in Tables 24.7 to 24.9.

Table 24.7. Percentage of Families in Kerala Below the Poverty Line

Year of Survey	Percentage of BPL Population
1985	27
1992	36
1997	30

Note: BPL = below the poverty line.

Source: Below-poverty-line family surveys (various years).

Table 24.8. Families Below the Poverty Line in Kerala By Occupation Group (percentage)

Year of Survey	Agricultural Labor	Nonagricultural Labor	Rural Artisans
1985	33.4	27.5	5.7
1992	40.8	34.5	4.9
1997	34.4	2.4	2.7

Source: Below-poverty-line family surveys (various years).

e. Qualitative assessment by experts

Interaction with academic experts, local government leaders, representatives of the poor and key practitioners reveals the following points about the prevalence of poverty in Kerala.

- More important than drawing the poverty line with precision is the identification of layers of poverty, consisting of the decrepit poor, the very poor and the marginal poor. A prioritization of BPL families based on severity of poverty is needed, enabling formulation of separate strategies ranging from direct benefits support to facilitation of self-help.
- There are several groups that are left out of the Kerala model, but that are still very poor and deserve special support. They include tribal people, traditional fishermen, Scheduled Castes, and groups of people employed in certain declining traditional industries like coir, cashew production, handloom stone-crushing, etc. There is persistent poverty in these groups.
- The number of practically landless poor is very high in Kerala. Since land reform was implemented more than a generation ago, the homesteads given to nearly 300,000 families have now been partitioned or sold off and a large number of the poor have nothing more than their house plots. Thus, the conventional strategy of improving land productivity would not be of much direct benefit to these poor.

Table 24.9. Tentative Results of 1997 Survey of Poverty in Kerala
(totals and percentages)

A. Priority Groups

Woman-headed families	340,742 (19.77)
Allotment of Surplus Land	41,271 (2.39)
Liberated Bonded-labor Families	18,257 (1.05)
Physically handicapped	
• Fully handicapped	47,495 people (0.5)
• Partially handicapped	54,832 (0.7)
Illiterate	765,066 (9.41)

B. Access to Minimum Needs

Landless Families	128,68 (7.47)
Families With Less Than 25 Cents of Land	1,34 7,810 (70.83)
Families With No Habitable House	917,816 (53.25)
Families Without a Safe Drinking Water Source within 300 Meters	49,717 (2.88)
Families Without Sanitary Latrines	805,604 (46.74)
Families Without Electricity	1,033,528 (59.96)

C. Income Group Classification

Less than Rs5,000 per family per year	240,321 (13.94)
Rs5,001 to Rs10,000	726,282 (42.14)
Rs10,000 to Rs15,000	564,335 (32.74)
Above Rs15,000	192,618 (11.18)

Note: Figures in parentheses are percentages.

Source: Kerala State below poverty line family survey, 1997.

- The phenomenon of the educated poor is peculiar to Kerala. A large number of the poor have completed a high school education and passed the school final examination. But in the competitive job market they get left out. Wage employment is of no use to them, most of them lack the entrepreneurial talent for self-employment, and they are not skilled enough for the job market. Capacity building for this group is a major challenge.
- The declining labor opportunities in agriculture and the shrinkage of government job prospects has further complicated the poverty situation.
- The quality of the results of the twin strategies behind Kerala's development success—health care and education—is on the decline, particularly in the public sector. This has placed a heavy burden on the poor and has important ramifications in determining an antipoverty strategy.

Thus, there is widespread agreement that the prevalence of poverty in Kerala has certain peculiar characteristics, making it difficult to eradicate through conventional strategies. The almost paradoxical persistence of poverty side by side with high human development indicators has convinced experts that the time is ripe for a rounded appreciation of the various factors contributing to poverty and its manifestations, so that effective measures can be initiated against them.

2. Decentralization and Its Implications for Poverty Reduction

a. Introduction

Kerala has embarked on a trajectory of rapid decentralization. The state has moved ahead at a good pace, with the transfer not only of functions and responsibilities, but also the authority to carry them out, along with resources, both human and financial. Kerala had not achieved significant decentralized development in the past, but since the passage of the 73rd and 74th Constitutional Amendment, it has carried out certain pioneering reforms worthy of attention and study. The reforms fundamentally decentralized governance, particularly in the developmental field. They constitute an earnest attempt to set up genuine institutions of local self-government, as envisaged in the Constitution.

A special feature of the Kerala experiment is the clarity of vision that informs the whole process. This is very rare in government-led reform processes. The vision guiding Kerala's decentralization is best encapsulated in the words of the Committee on Decentralization of Powers (popularly known as the Sen Committee), which is reproduced below:

Local Self-Government is essentially the empowerment of the people by giving them not only the voice, but the power of choice as well in order to shape the development which they feel is appropriate to their situation. It implies maximum decentralization of powers to enable the elected bodies to function as autonomous units with adequate power, authority and resources to discharge the basic responsibility of bringing about "economic development and social justice". It is not enough to formally transfer powers and responsibilities to the local self-government institutions (LSGIs). They have to be vested with the authority

to exercise them in full, which requires concordant changes not only in the appropriate rules, manuals, government orders and circulars governing development administration, but also in the conventions, practices and even, the value premises of the governmental agencies. Decentralization does not mean just deconcentration where a subordinate is allowed to act on behalf of the superior without any real transfer of authority, or delegation where powers are formally conferred on a subordinate without any real transfer of authority. It implies devolution where real power and authority are transferred to enable autonomous functioning with the defined areas.

Decentralisation in its true sense would be democratic decentralisation. With the constitutional recognition accorded to Grama sabhas [constituency meetings] and Wards Committees, the necessary condition for genuine participatory democracy has been created. The greater the involvement of these people's bodies and the more effective their functioning, the fuller would be the realization of the objectives of LSGIs. So power should flow through the elected bodies and [their] members to the people and should not be blocked at any level, as power ultimately belongs to the people and it is only legitimate that it is handed over to them.

Thus LSGIs would facilitate exercise of legitimate and legal authority by the people and the elected bodies. It should put an end to the various extra-constitutional power centres influencing the development process at the grass roots level. Often power is seen, felt and recognized by its abuse; at times arbitrary, discretionary exercise of power is found attractive. Power denotes separation and distance from the powerless and is distinguished by typical symbols and trappings. It is not this "power" that is to be transferred to the LSGIs. It is the power to build capabilities, increase production, reduce inequalities and promote harmony that is to be vested in them a facilitative power as development is basically enhancing the capabilities of people and enlarging their choices.

And the transfer of power has to be more in the vertically downward direction than in the horizontally sideways direction. In other words, the powers of the State to bring about development are to be handed over to the LSGIs and not just the powers now exercised by the functionaries of the State at the corresponding level. Horizontally, the power to decide what to be done, how to be done, and the priorities of doing, will move to the elected institutions. The officials will retain their professional power to advise but they have to act as per the decisions of the elected bodies. The role of the departments henceforth would be, not to take decisions by themselves, but to help the people to take decisions and then carry them out. Their professional role would expand while their administrative role would shrink.

Decentralisation is a process and cannot be achieved in one stroke. It has to undergo a continuous process of redefining, adapting and adjusting. So it is essential to closely monitor the working of the new system and to take measures to improve it as and when required.

Every step made in the process, every policy decision taken in the matter and every system designed and every procedure prescribed, attempts to translate this vision into practice. That has been the mission of the decentralization initiative.

b. The objectives of decentralization

The Kerala economy had been facing severe problems since the mid-1970s. The much acclaimed Kerala model of development, aimed at bringing about human development, started facing a sustainability crisis. It became difficult to maintain the level and quality of governmental services. These problems were further compounded by the sharply adversarial political relations in Kerala. It was felt that decentralization could shake up the system and help in a thorough overhaul. In this context, the objectives of the decentralization experiment in Kerala could be listed as follows:

- Improve the quality of investment by allocating resources for priorities fixed by the local people;
- Facilitate emergence of local solutions to developmental problems through improved planning, better implementation, use of traditional knowledge and appropriate technology, etc.;
- Exploit local production possibilities;
- Enable people's participation, leading to keener oversight in the execution of schemes, followed by better upkeep of assets;
- Provide the enabling environment for people to make contributions in kind and cash for development programs identified by them for priority action;
- Bring about a convergence of resources and services to tackle development problems with greater vigor; and
- Unleash public action resulting in a demand-led improvement in the delivery of developmental and welfare services.

In the process of realizing these objectives it was felt that a new politics of development would emerge out of dialogue and consensus rather than conflict and collusion, helping to forge a realistic approach to development, and based on a clearer understanding of problems and issues at the grassroots level.

c. The strategy of decentralization

Kerala has followed an unorthodox strategy of decentralization. It reversed the traditional paradigm of gradual transfer of powers to local governments as a result of perceived improvement in their capacities to exercise them. It opted for a "big bang" approach by transferring functions, authority, and resources simultaneously and then attempting to build the capacity of local governments to perform efficiently. This methodology first transferred powers and then set up umpiring systems; it devolved funds and then structured procedures and systems. It facilitated learning by doing and at the same time was backed up by a system that responded quickly to the ups and downs of the process. In a sense, this reversal of the conventional sequence placed an onus on the state government to ensure that the right environment was created for the local governments to function well. At the same time, the local governments were pushed to carry out their responsibilities to the best of their ability. Hindsight proves that it was a very wise move strategically, as it is well nigh impossible to transfer power by degrees.

To make decentralization work, Kerala chose the path of participatory local-level planning as the entry point. This succeeded to a considerable extent in harnessing public action in favor of decentralization. In order to push the system and force the process, a campaign approach was followed for decentralized planning, known as the “People’s Planning Campaign.” This campaign created a powerful demand for decentralization to be guided along the right path. To a large degree, the campaign has succeeded in setting the agenda for decentralization.

d. Steps in decentralization

The decentralization process had several major steps:

i. Legal entitlements for local governments

The legal entitlements of local governments were introduced through new legislation setting up a three-tier local government system in rural areas and a single-tier local government system in urban areas. In rural areas, the three tiers consist of 991 village *panchayats* (assemblies) at the grassroots level, having an average population of about 30,000; 152 block panchayats at the intermediate level, having an average population of about 200,000; and 14 district panchayats having an average population of about 2.25 million. The legislation also defines the functional domains of each level of local government.

ii. Transfer of institutions and staff

All the development institutions and government offices dealing with developmental matters at the district level and below have been transferred to the concerned local governments, along with staff.

The degree and quality of decentralization as delineated in laws and prescribed in government orders can be gauged from the following statements:

- In the health sector, all institutions other than medical colleges and large regional specialty hospitals have been placed under the control of local governments.
- In the education sector, responsibility for high schools in rural areas has been transferred to the district panchayats and that for primary and upper primary schools has been transferred to village panchayats; in urban areas, all schools have been transferred to the urban local bodies.
- The entire responsibility for poverty alleviation has gone to local governments, which now plan and implement all formerly centrally sponsored antipoverty programs.
- All social welfare functions except statutory functions relating to juvenile justice have gone to local governments.
- In the agriculture and allied sectors, the following have become local government functions, *de facto* and *de jure*:
- agricultural extension, including farmer-oriented support for increasing production and productivity;

- watershed management and minor irrigation;
- dairy development;
- animal husbandry, including veterinary care; and
- inland fisheries.
- Barring highways and major district roads, connectivity has become a local government responsibility.
- The responsibility for sanitation and almost the entire rural water supply have moved over to local governments.
- Promotion of tiny, cottage, and small industries is mostly with local governments.
- All welfare pensions are administered by local governments.

The above list shows clearly that in terms of governance, interface with citizens is nearly two thirds at the local level.

iii. Transfer of financial resources

Traditionally Kerala had only village panchayats and the urban local bodies. They used to get grants-in-aid from the government that were hardly enough to meet their obligatory functions and establishment costs. A few government schemes were also transferred for implementation to local governments as agencies of the state government. However, in 1996 a landmark decision was taken to allot more than one third of the state's plan resources (i.e., funds to be invested in new development ventures) to local governments, with the rural local governments getting an 85-percent share reflecting the proportion of the rural population. The noteworthy features of Kerala's financial devolution to local governments are listed below:

- The amount of plan funds earmarked for local governments is the highest in the country.
- Around 90 percent of the plan funds are given in a practically untied form to local governments to prepare their own schemes and implement them within a certain broad policy framework, which stipulates that at least 40 percent of the funds should be invested in productive sectors, not more than 30 percent should be invested in roads, and at least 10 percent should be earmarked for gender-sensitive schemes; and which has fixed a consensual upper ceiling for subsidies in different categories of schemes.
- The entire plan grant can be invested. This can be called "pure money," as it does not carry any staff salaries or other administrative costs. At the state level, 20 to 25 percent of the plan is normally eaten up by such commitments.
- All the plan grants due to local governments are separately budgeted in a document known as Annexure IV of the State Budget. Since it is passed by the legislature, it cannot be diverted for other purposes by the executive.
- Contrary to nearly universal practice, it is the village panchayats that get the bulk of the grants, with nearly 70 percent of the rural share going to them and the district and block panchayats sharing the remaining 30 percent more or less equally.
- Every single rupee devolved to local governments, whether under plan or other categories, is given according to a transparent formula; there is no room for patronage

or partisanship in allocation of resources to local governments.

- A flow-of-funds procedure has been designed. The funds flow in four installments. A local government has to spend at least 75 percent of its allocation during a year, failing which the shortfall will be deducted from the next year's allotment.

iv. Operationalizing decentralized participatory planning

The People's Planning Campaign has succeeded in providing a concrete methodology for participatory planning for local level development. The salient features of this methodology are described below, stage by stage.

Needs identification. Through a meeting of a *grama sabha*, i.e., the ward or the electoral constituency of a village panchayat member, the felt needs of the community are identified. There is a period of environment creation to mobilize maximum participation in the *grama sabha*. Statistics reveal that about 10–12 percent of the rural population has participated in the *grama sabhas* held as part of the People's Planning Campaign. The *grama sabha* meetings are held in a semistructured manner, with plenary sessions and subgroup sessions dealing with specific development issues. The decisions are minuted and forwarded to the panchayats. Each *grama sabha* is chaired by the elected member and has an official as its coordinator.

Situation analysis. Based on the demands emanating from the first special *grama sabha* and based on development data, both primary and secondary, exhaustive development reports are prepared and printed for every panchayat raj institution (PRI) in Kerala state. These reports describe the status in each development sector with reference to available data, analyze the problems, and point out the directions for further development. This is a one-time exercise and the reports will be revised before the next five-year plan.

Strategy setting. Based on the *grama sabha* feedback and the development report, a one-day seminar is held at the PRI level in which experts, elected members, representatives nominated by *grama sabhas*, and practitioners from among the public are sure to take part. The development seminars suggest the broad priorities and general strategies for developmental projects to be taken up in a particular year.

Project formation. The ideas thrown up by the above three stages are translated into projects by task forces at the PRI level. For each PRI, there are about 12 task forces dealing with different sectors of development. Each task force is headed by an elected member and is convened by the concerned government official. The vice chairman of the task force is normally a nongovernment expert in the sector. The projects are prepared in the suggested format, outlining the objectives, describing the benefits, explaining the funding, and detailing the mode of execution and phasing.

Plan finalization. From among the projects, based on the allocation communicated, the concerned PRI finalizes its plan for the year and it is submitted to the district planning committees (DPCs) through the expert committees. The panchayat is free to take up any project, irrespective of its cost, subject of course to the resources actually available and within the sectoral limits.

Plan vetting: The expert committees at the block or the district level vet the projects for their technical viability and conformity with the mandatory government guidelines on planning and costing, and forward them to the DPC. They cannot change the priorities or the projects; they can only ask for rectification.

Plan approval: The DPC formally approves the plans, after which the PRI can start implementation. It is to be noted that the DPC also cannot change the priority of a PRI. It can only ensure that government guidelines are followed. Administrative approval for implementation is given for project implementation by the PRI. Every PRI has unlimited powers of administrative sanctions, subject only to the limits of its financial resources.

v. Setting up appropriate systems

Several innovative administrative arrangements have been put into place to improve the quality of decentralized governance. Following are the major administrative reforms: (i) providing for total transparency of all records relating to developmental matters, with the right given to any citizen to demand and access information from local governments; (ii) setting up of committees of experts at the intermediate and district level to provide technical advice, technically vet the projects prepared by local governments, and accord technical sanction for public works, particularly construction of roads, buildings, irrigation structures, water supply systems, and extended electricity lines; (iii) accreditation of appropriate nongovernment organizations (NGOs) to take up construction works on behalf of local governments; (iv) participatory selection of beneficiaries in the presence of all applicants and all voters of each ward of the local government, with well-defined sets of eligibility and prioritization criteria, the latter having marks for each criterion on a scale of 1 to 100; (v) identifying “beacon” local governments and encouraging them to share their experience with others; (vi) launching a massive capacity-building exercise in a cascading fashion, with about 600 key resource persons at the state level, 10,000 district resource persons, and 100,000 local resource persons being trained under the auspices of the Kerala Institute of Local Administration, an institution set up jointly by the local governments in the state; and (vii) setting up independent regulatory institutions, such as, the State Election Commission, for the conduct of elections, the State Finance Commission (to give five awards per year for transfer of resources to local governments), an ombudsman for local government to check malfeasance, appellate tribunals, to take care of appeals against the decisions of local governments taken in exercise of their regulatory role (such as in the issuance of licenses, grant of permits, etc), a State Development Council consisting of the state cabinet, the leader of the opposition, presidents of district panchayats, and representatives of other local governments, to discuss policy issues in decentralization, and an Audit Commission to audit local governments.

e. Implications of decentralization for poverty reduction—Initial evidence from the field

i. The achievements

The experience of the first few years of decentralization has proved that in providing basic minimum needs infrastructure like housing, water supply, sanitation, and connectivity, the local governments have performed creditably. The speed and extent of coverage as well as efficiency in providing minimum needs has been superior to that of the state government.

Along with minimum needs, the local governments have done reasonably well in natural resource management, particularly in the utilization of water resources for productive purposes. As regards the productive sector, there have been isolated successes, where agricultural production and productivity have increased in a major way.

In providing services like health and education, however, success stories have been relatively few in number. Of course, the outreach of health services as well as remedial coaching for laggard students has definitely improved, and the infrastructure for health care and education has rapidly been upgraded. But management of professionals and other staff to provide better quality services requires further effort.

On the whole, an encouraging feature is the fact that individual local governments have evolved viable models in most of the sectors relating to poverty reduction. A major challenge would be to upscale and replicate them. It is pertinent to note that funds spent on poverty reduction programs by local governments significantly exceed earlier investments. This is suggestive of the higher priority given to antipoverty programs by local governments. The spread of this investment is also much broader and generally more equitable.

Another significant aspect of poverty reduction where local governments have performed well is the implementation of social security schemes like pensions. The coverage has improved and the targeting has been fairly satisfactory.

The good governance aspect of decentralization, particularly transparency, as well as the opportunities for participation, have improved the quality of antipoverty programs formulated and implemented by local governments. There is considerably less leakage and the identification of beneficiaries is definitely better.

What holds the biggest promise for poverty reduction is the attempt to develop a network of self-help groups of BPL families, each represented by a woman. The network derives from a community-based identification of BPL families on nonmonetary criteria that are transparent and reflective of social perceptions of poverty. Identified families are organized into neighborhood groups (NHGs) of 20–25 members who are federated into an organization called an Area Development Society (ADS) at the panchayat ward/grama sabha level and further networked into a registered NGO of poor women called the Community Development Society (CDS) at the level of the village panchayat. This experiment, which

has been tried out in Kerala's most backward district of Malappuram, has now been expanded to cover the entire state (details are given in section 3 as a case study).

ii. The potential and limitations

Practice has shown that in terms of poverty reduction, decentralization has certain definite advantages: (i) resources have flowed into every nook and corner, and if the formula of devolution and distribution is a progressive one, with earmarking of funds for disadvantaged groups, greater equity can be achieved; (ii) the outreach of developmental services has greatly improved; (iii) there is less channeling of resources to particular sectors in decentralized programs, Greater convergence has contributed to reducing the ratchet effect of poverty, local governments, particularly village panchayats, tend to view problems holistically and derive a solution first, and only then decide on the agency of implementation; (iv) in view of the financial constraints and skill limitations, there is greater emphasis on locally appropriate, affordable solutions; (v) there is greater realism in tackling problems of poverty, there are no tall promises with the problem of poverty is perceived in its stark reality, and it is not submerged in academic debates or hidden in statistical sophistry; (vi) the innumerable opportunities for participation that have been structured into Kerala's decentralization process have helped the poor in gaining confidence and in moving from lower levels of participation into higher forms of direct social action like management of facilities, creation of demand for services, and so on; and (vii) popular participation has definitely improved accountability.

Decentralization affords opportunities to the poor to grow in strength by continuous participation (learning by doing), constant observation of the exercise of power (learning by seeing), and accessing more information (learning by knowing). As barriers are weaker in the local situation, the poor can hope to break through them with some effort.

There have also been certain problems, which are: (i) Those outside the social and political mainstream, like the scheduled castes and tribes, have still to gain from decentralization. (i.e., in scenarios where one section of the poor lives off another section, then decentralization has certain inbuilt limitations); (ii) The poorest among the poor need social safety nets, particularly for food and health emergencies. These cannot be provided by local governments; (iii) The management of services, particularly health care and education, have not become more efficient than before, and these services have direct implications for poverty reduction; (iv) The flow of bank credit into local schemes for poverty reduction has been rather limited, and it appears to result more from bankers' reluctance to deal with local governments than from inadequacies of project formulation, which has meant higher subsidies; (v) In a state like Kerala, where the number of educated poor is very high, there is an inherent limitation in local government action against such poverty, linkage with job markets through skill upgrades or identification of self-employment opportunities or small scale production activities with assured markets are all functions that can be done better at higher levels, thus the problem of vertical integration of antipoverty programs is a crucial one.

Antipoverty initiatives at the local level seem to be characterized by incrementalism and there is a clear need for a long-range vision to reduce poverty.

f. **Toward institutionalization of the decentralization initiative**

The decentralization process in Kerala has moved from the experimental phase through a corrective phase and has now entered the critical institutionalization phase. In the first stage, which was based on trial and error, several mistakes were made and several new areas discovered. Ad hoc systems were designed to facilitate operational flexibility at the local level. Now, from the campaign mode, decentralization is entering the systems mode. This is the time for weeding out worn-out procedures and systems and planning modern systems that are simple, transparent, fair, and afford easy upkeep, while at the same time ensuring accountability of the highest degree. The Peoples' Planning Campaign has been sustained through a host of activist volunteers. Soon these volunteers will move out of direct leadership and play the role of facilitators. Regular support systems appropriate to local government functioning will be in place.

The local governments, which are by now reasonably adept in preparing plans, will be expected to further improve their capacity to implement them efficiently and economically. A major challenge ahead will be to build capacity in the local governments to manage the provision of various services to the people. Participation of the people needs to be further institutionalized and the question of integration of plans among the tiers of government needs to be dealt with. From incremental annual planning, the local governments are expected to switch over to five-year planning from the year 2001. For this purpose they have to be conditioned to develop a strategic vision. In this phase, they have to graduate from creation of infrastructure to promoting local economic development. While doing so, they have to rely increasingly on local resource mobilization as well as innovative methods of financing projects. In sum, they have to provide responsive and good governance.

3. **Participatory Poverty Reduction in Malappuram: A Case Study**¹

a. **Background**

In the early years of planned development in India, it was thought that overall development would trickle down to the poor and help them emerge from poverty. The onset of the green revolution brought about prosperity in several rural areas of the country. However, it was soon realized that the "trickle-down" theory had not worked and poverty was in fact increasing. This brought about a major change in the development policy of the Government, which started what is called the "direct attack" on poverty through programs targeted exclusively to the poor.

¹ In 2000, the Malappuram program won the gold medal for best practice in Public Management, instituted by the Commonwealth Association for Public Administration and Management.

For the purpose of identifying the poor, a poverty line was based on the income required to provide food having a caloric value of 2,100 calories per person per day and other minimum necessities. The antipoverty programs targeted at the BPL families were broadly in two categories: one category of schemes providing wage employment to the poor through public works programs, and the other category providing subsidized financial assistance for self-employment.

The national strategies and programs were duly followed in Kerala. Though poverty levels dropped considerably, persistent poverty in certain locations and among particular groups of people worried the policymakers. It was widely recognized that a top-down approach to poverty reduction, depending on isolated schemes delivered separately to individual families or artificial groups of families, had failed to yield the desired results. A program of participation on the basis of self-help and integration of resources, with women as the key actors, was identified as a better strategy for reducing poverty.

A pilot project was launched in the Malappuram District of Kerala at the end of 1994. Malappuram was chosen for the experimental project because it was found to be the most backward district of Kerala. Certain basic features of the district are shown in Table 24.10.

b. Elements of the Malappuram experiment

i. Identification of the poor

It was realized that the identification of the poor suffered from two basic deficiencies: first, as it was based on income, there was much underreporting, and the officials conducting the survey had a lot of discretion in the absence of hard verifiable data; second, the identification was used only to provide direct assistance under a single program known as the Integrated Rural Development Program. It was felt that a nonmonetary set of indicators that are easily understood and recognized by the community to determine poverty would be more reliable and acceptable. Based on trial and error in Alappuzha Municipality of

Table 24.10. Features of Malappuram District, Kerala

1. Area: 3,548 Sq Km

2. Population (1991 Census)		3,096,330	
Male	Female	Total	Socially disadvantaged groups
1,508,289	1,588,050	3,096,339	255,731

3. Social indicators vis-à-vis Kerala average:

	District Average	State Average
Population Growth Rate (percent)	28.87	13.10
Infant Mortality rate	2.2	1.3
Women's Literacy (percent)	65	86.17
Average Family Size	6.49	5.3
Families Below Poverty Line (percent)	45	26

Source: 1991 National Census Data.

Kerala, a nine-point risk index was developed consisting of the following elements, which had a high correlation with poverty: no house, no access to safe drinking water, no access to a sanitary latrine, an illiterate adult in the family, no more than one earning member in the family, eating barely two meals a day or less, the presence of children below the age of five in the family, an alcoholic or drug addict in the family, and membership in a Scheduled Caste or Scheduled Tribe (or belonging to some other socially disadvantaged group).

The families exhibiting four or more elements from this set were to be classified as poor. This attempted community-based, transparent identification of the poor represented a fundamental departure from the existing practice and a significant innovation.

ii. Organization of the poor

Hitherto, poverty alleviation programs focused on the family, and by design or default, on the male chief member. Programs were delivered without any lateral linkages or convergence, and no attempt was made to see the target groups as a community and provide a suitable basket of services and schemes. In the Malappuram project, a conscious attempt was made to sidestep these problems.

All the identified families were organized into Neighborhood Groups (NHGs) of 20 to 30 local families, each family being represented by a woman. These NHGs of women were networked into Area Development Societies (ADSs) at the level of the ward or electoral constituency of the lowest level of local government, viz., village panchayat or municipality. These ADSs were federated into a Community Development Society (CDS) at the village panchayat or municipality level. There were also higher levels of networking at the level of the intermediate local government tier, viz., the block panchayat and the district.

iii. The function of the system

The basic building block of the community-based organization is the *Neighborhood Group* (NHG). This grassroots body democratically elects five volunteers from its members who function as "barefoot experts" performing the following functions:

- *President.* She presides over weekly meetings and imparts necessary leadership and guidance to the group members.
- *Secretary.* She records the proceedings of meetings and is responsible for necessary follow-up, including motivation and team building.
- *Community health volunteer.* She looks after the various health-related issues of the group members, including children, women, and the aged, and is responsible for the convergence of various programs undertaken by health and social welfare departments.
- *Volunteer for income generation activities.* She looks after the collection, consolidation, and maintenance of books of accounts and registers in connection with thrift mobilization. The National Bank for Agriculture and Rural Development imparts the necessary training for building their capacity.

- *Volunteer for physical amenities.* She identifies gaps in the availability of critical physical amenities and tries to integrate the resources of various government programs. She also maintains liaison with local governments and acts as a catalyst for local development.

Each NHG prepares a micro plan for its development based on the needs of the members as identified through surveys and discussions.

The *Area Development Society* (ADS) formed at the ward level of the village panchayat or municipality by networking NHGs, normally 8 to 10 in number. The ADS functions through three distinct bodies:

- *General body.* This consists of all presidents and secretaries of federated NHGs, along with resource persons selected from that area.
- *Governing body.* This body, constituted by electing a president, secretary and five-member committee from among the General Body, has a development promotion role.
- *Monitoring and advisory committee.* This committee is formed, under the Chairmanship of the elected member of the village panchayat or municipality representing that ward, in order to integrate with the activities of other local governments. Since the ward is the basic unit for laying down priorities for local development, the ADS acts as a lobby of the poor in the preparation of development plans by local governments. The ADS coordinates the “micro” plans of the NHGs into what is called a “mini” plan.

At the level of the village panchayat or municipality, each ADSs is federated into the *Community Development Society* (CDS)—a registered NGO. Like the ADS, it has also three subsystems:

- *General body.* This comprises all ADS chairpersons and ADS Governing Body members along with resource persons and officers of the local government who are involved in implementing various poverty alleviation and women empowerment programs.
- *Governing body.* This body consists of a president, member secretary, and five selected committee members. The president is elected; the member secretary is the local officer in charge of antipoverty programs. Other government officials and representatives of resource persons are nominated to the Governing Body.
- *Monitoring and advisory committee.* The municipal chairperson/president of the panchayat is the chairman of the monitoring and advisory committee, which is convened by the municipal secretary/panchayat secretary.

The CDS, which is coterminous with the village panchayat or municipality, prepares development plans at the local government level by consolidating the plans prepared by the ADSs. The CDS is recognized as an agency to which local governments can entrust the execution of small public works through community contracting. The CDS is visualized as

a subsystem of the local government, taking care of the interests of the poor through its womenfolk, thereby automatically giving attention to the gender dimension.

There are CDSs at the block and district level, which serve the purposes of coordination as well as feedback and take up higher-order development activities. To sum up, the key features of this Malappuram-originated organization of the poor are that: (i) it covers every BPL family; (ii) each poor family is represented by a woman, improving the program in terms of feedback on poverty, sensitivity to problems of the poor, and commitment to alleviating and addressing gender concerns; (iii) the whole system is democratic and encourages full participation through periodic discussions and rotation of the volunteers every two years; (iv) the volunteers are natural leaders and have ample opportunities to develop leadership qualities; (v) the democratic hierarchy of the organization facilitates interventions at different stages of the local development planning process; (vi) the representative character of the organization enables it to be a powerful interest group representing 30–35 percent of the population; (vii) since decisions are based on analysis of the field situation and through discussions, the plans of the systems represent felt needs and priorities; and (viii) the hierarchical organization, with the higher levels “nesting the representatives of the lower level,” affords good channels for quick and effective communication.

Regular weekly meetings are held and the discussions and decisions are recorded. These meetings serve as forums for sharing information, developing a consensus on felt needs, and discussing possibilities of collective action for the common good.

A major function of the organization is to act as an informal “bank of the poor.” Small savings of the women are collected regularly at the weekly NHG meetings. The ADSs are authorized to open accounts in banks to deposit the savings. So far in Malappuram, Rs26.7 million have been collected, out of which Rs20.6 million has been circulated as loans among the members, mainly for immediate needs like medical treatment, educational expenses, repayment of old debts, etc. About 70 percent of the disbursements are for consumption purposes, or warding off indebtedness. The remaining disbursements are for economic development activities, either for strengthening existing activities or taking up new ones. Since the whole process is transparent and functions well, the repayment rate has been 100 percent.

In order to ensure accountability, a simple community financial management system has been designed, operated by the secretary of the ADS. This ensures proper accounting and monitoring of repayment.

The ultimate objective is to go beyond mobilizing thrift from members to attracting credit from commercial banks. It is expected that with the strengthening of the system the banks would lend nine times the accumulated savings without any guarantee. The National Bank for Agriculture and Rural Development has already provided credit to 808 NHGs. The loan repayment rate is 99.98%, as against 51% for the traditional antipoverty programs.

iv. Enabling the organization

The Kerala government acts as a proactive facilitator. At the district level, there is a government-appointed full-time coordinator for the program, who acts as a catalyst without infringing the autonomy of the CDS system.

A massive capacity-building exercise was undertaken with the formation of the CDS system. Experts as well as key resource persons selected from the community give the training. The rigorous, cascading-type of training has achieved the following results:

- 13,000 volunteers trained in the identification of at-risk families;
- 106,000 community volunteers trained in the concept, strategy, and operations of the project;
- 4,645 volunteers trained in community health management;
- 2,000 training courses conducted on community finance management;
- 20,000 volunteers trained for the preparation of development plans, implementation, and monitoring;
- 3,000 volunteers trained in participatory learning and action (PLA) techniques;
- 850 volunteers trained on microenterprise development;
- 99 awareness camps conducted against alcoholism; and
- 1,700 training camps held on immunization.

c. Physical achievements of the system

The CDS system has achieved some impressive physical results. Improvements in the area of environmental sanitation and provision of potable drinking water include the following new infrastructure: (i) 5,600 household sanitary latrines, 53 toilets in schools, development of a low-cost model for sanitary latrines; (ii) rural sanitary marts in 14 blocks; (iii) 20 bore wells; (iv) 15 open wells; (v) rainwater harvesting techniques developed; and (vi) 200 women masons trained and equipped.

Additional facilities and staff for education include: (i) more facilities created in preprimary and primary schools, (ii) formation of mother-teacher associations in primary schools, (iii) reduction in the dropout rate, (iv) remedial education for underperforming students from poor families, and (v) extension of district primary education programs to marginalized groups.

Community health improvements include: (i) more efficient use of medical facilities, (ii) integration of health programs, (iii) 100-percent coverage in immunization against polio, (iv) reduced incidence of diseases (cholera, typhoid, malaria and diarrhea), (v) better outreach for reproductive and child health programs, (vi) participatory implementation of an HIV/AIDS control program, and (vii) opening of rural health depots for first aid.

Achievements in the area of development of microenterprise include: (i) 12,322 microenterprises set up and assisted through revolving funds, (ii) direct marketing groups

have seen set up to sell consumer goods, (iii) festival markets organized through group action, (iv) microenterprise consultants trained and positioned for continued support, and (v) a variety of activities ranging from solid waste management to computer centers.

d. Significance of the Malappuram model in managing poverty reduction

The first five years of the Malappuram experience has yielded several lessons which are of relevance in managing poverty reduction. Several important lessons have emerged for this experience.

Community-based determination of the poor through simple, transparent criteria has resulted in better identification of the poor. Since the criteria are congruent with the perceptions of the public, there is greater objectivity and reduced patronage in classifying poor families for various benefits. As described, the CDS organization of the poor has provided a powerful social safety net against vulnerability. The poor have attained a well-defined role in public life, particularly in the development process, right from the planning stage. The internal dynamics of the organization often help it to develop organically with cohesion and purpose. The highly democratic and participatory structure has helped it to become the acknowledged representative of the poor. The poor have undergone a gradual but perceptible improvement in their confidence levels, so that they have begun articulating their demands. And from "voice" they are proceeding to use the power of "choice." Their freedoms have been enlarged and their capabilities enhanced in small but significant degrees.

The Malappuram experience represents a conscious empowerment of the poor through a gender-sensitive process. It has given a new dimension to the role of the state. By actively promoting awareness creation among the public, building the capacity of the community, and designing self-management systems, the state government has shown that it can facilitate the empowerment of poor communities through a conscious policy decision. The CDS system has been authorized to select and identify the beneficiaries of various state-sponsored and local-government-sponsored development programs for the poor. The CDS is also encouraged to implement public works through community contracting. Group activities have led to greater cohesion, serving as a social safety net in times of crisis, reducing the feeling of vulnerability. By focusing on the social dynamics of the organization and by encouraging thrift, the CDS system has inculcated the culture of self-help. This is a sharp deviation from the earlier practice of providing doles and freebies.

The quality of interventions for reducing poverty has improved, particularly through the participatory planning undertaken by the CDS system. Rapid gathering of essential data, interactive prioritization of development needs, and collective identification of economic development opportunities have all contributed to the preparation and implementation of improved poverty reduction schemes at the local level. The transparent functioning of the CDS system has promoted trust among the poor and has enabled them to identify the neediest persons with precision and grace, moving away from ungainly jockeying for benefits and crude dependence-inducing patronage systems.

The experiment has helped bring about more responsive governance by means of: (i) improved outreach of development software, (ii) better accessing and utilization of public services, (iii) cost reduction in delivery of services, (iv) improved accountability and transparency in development systems, (v) quick and effective feedback to the government, (vi) improved targeting of programs and services, (vii) more efficient management of public assets like water supply systems, (viii) greater integration of governmental resources and services through a demand-led process, and (ix) better value for money invested. Awareness about various programs and services for the poor has increased, resulting in improved accessing of such programs and services. The outreach of various government services has improved in scale as well as in effectiveness.

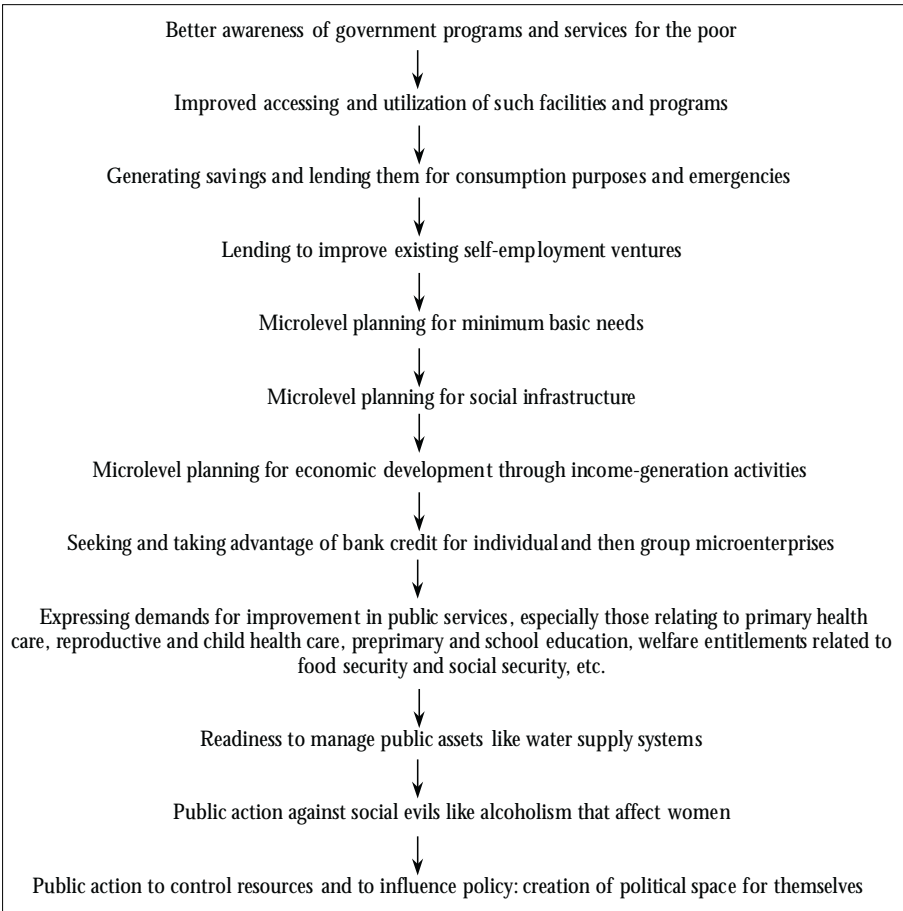
The habit of thrift has sunk in and considerable savings have been generated, resulting in formation of “informal banks of the poor.” The credit from these thrift banks initially flows into consumption expenditure and expenditure on emergencies. Later, it helps in expanding existing economic development activities and finally, albeit only in a few cases, it has promoted new microenterprises by attracting bank credit based on the strength of the savings. The participation rate of women from the CDS system in the grama sabhas is significantly higher. The groups have shown a capacity for micro level planning for development facilities. Gradually they are developing into lobbies for the poor within panchayats. In rare cases, the women’s groups have shown the potential for public action against social and economic injustice.

In summary, the Malappuram experience shows that the empowerment of the poor is an unfolding process with clearly discernible phases having sequential progression. Based on the evidence presented, Figure 1 depicts the stages in the empowerment process.

e. Conclusion

Having realized that the Malappuram experience shows the way for tackling the various dimensions of poverty, both causative and symptomatic, the government of Kerala has decided to replicate this experience throughout the state. For this purpose, a state poverty eradication mission has been created to work at the state and district levels, and specially staffed by officers selected from various development departments on the basis of proven capability and commitment. The poverty eradication mission, known as “Kudumbashree,” is charged with the responsibility of laying down the guidelines, carrying out capacity building, identifying market niches for microenterprises, providing technology inputs and upgrading managerial and technical skills, arranging for the flow of credit from banks, mediating with various government departments, and monitoring the process.

As a policy, the community organization of the poor is seen as the next step in the decentralization process, going beyond local governments to local communities. The CDS system is envisaged as a subsystem of local governments, part of the decentralized setup. It will have a direct role in the conceptualization and implementation of antipoverty programs, in the identification and selection of beneficiaries of such programs, and in performing social audit functions as a watchdog of the public.

Figure 24.1. Empowerment of the Poor: An Unfolding Process

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