

**Working Paper 136**

**Sustainable livelihoods and political capital: Arguments  
and evidence from decentralisation and natural resource  
management in India**

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## Acronyms

BAP	Block Action Plan
BDO	Block Development Office
DFID	Department for International Development
DDP	Desert Development Programme
DPAP	Drought Prone Area Programme
DRDA	District Rural Development Agency
GAA	German Agro Action
GOI	Government of India
GP	Gram Panchayat
GPIA	Government Project Implementing Agency
GPO	Gram Panchayat Officer
IAS	Indian Administrative Service
JFM	Joint Forest Management
JRY	Jawahar Rozgar Yojana
MLA	Member of Legislative Assembly
MoRAE	Ministry of Rural Areas and Employment
MoRD	Ministry of Rural Development
NGO	Non-Governmental Organisation
NTFP	Non-Timber Forest Product
ODI	Overseas Development Institute
PIA	Project Implementing Agency
PRI	Panchayati Raj Institution
SERA	Social and Economic Research Associates
TDP	Telugu Desam Party
VAP	Village Action Plan
VLW	Village Level Worker
WB	World Bank
WDI	Watershed Development Institution
WDM	Watershed Development Management
WORLP	Western Orissa Rural Livelihoods Project
ZP	Zilla Parishad

## Executive summary

### Objectives and background

This report examines the Sustainable Livelihoods (SL) framework, which has gained increasing currency and acceptance in development policy and practice over the last few years. The commitment to eliminating poverty by 2015 in the UK Government White Paper on International Development (1997) led to a rethinking of DFID strategies which gave SL a central role. The SL approach has since been subject to considerable scrutiny as questions are raised about how it can be operationalised in its various dimensions. This report is a contribution to this debate that focuses particularly on one dimension: SL as an analytical framework.

The potential of SL was examined by applying the framework for analysis in a research project on decentralised natural resource management in India commissioned by the Overseas Development Institute and funded by DFID. The research study explores the interface between administrative decentralisation in the form of watershed management programmes and democratic decentralisation in the form of *Panchayati Raj*. There are two guiding research questions:

1. What is the comparative capacity of the two institutional systems to support the development of sustainable livelihoods?
2. What principles should determine the institutional mandates of each system, and in which areas should operational boundaries be established?

These questions were pursued using the SL framework at the village level in two districts Dehradun (Uttar Pradesh) and Rayagada (Orissa). In each village, the five capital assets specified in the SL framework were examined in dynamic interrelation to each other and in relation to the vulnerability and institutional context.

### Main findings

The SL framework was found to be a useful construct for the analysis of decentralised natural resource management. The SL framework does not incorporate theories of change or transformation based on political science, and because of this it was found to present a neutral starting point for research. Central to the SL framework is a vision of the community as an outcome of relations based on the interaction between different capital assets. The SL framework is therefore able to avoid making assumptions about what constitutes the community and what motivates collective action, which is a frequent failing in the literature on natural resource management. In the same way, the SL framework allows for an analysis of the factors that contribute towards natural capital. The strength of the SL framework therefore, is that it provides a neutral base with which to examine the interaction between a large number of variables in determining sustainable livelihoods.

However, the study found that the strengths of SL as an analytical framework are compromised by the fact that it does not include political capital as an endogenous asset. The SL framework provides an understanding of the operational, technical and legislative factors that influence sustainable livelihoods at the local level. These are incomplete without an analysis of politics and power relations – which

cannot be captured through ‘structures and processes’. Political capital is one of the key capital assets on which ‘people draw to build their livelihoods’ and also one of the key constraining factors on sustainable livelihoods. The inclusion of political capital into the SL framework as an endogenous asset is critical for the following reasons:

- The notion of political capital is critical because ‘rights’ are claims and assets – which in SL language, ‘people draw on and reinvest in to pursue livelihood options’. Because these rights are politically defended, how people access these assets depends on their political capital. It is therefore critical to understand how these are constituted at the local level and the dynamic interrelation between political capital and the other assets identified in the SL framework.
- Political negotiation over rights is not transparent and cannot necessarily be captured in structures and policies. The notion of political capital is critical in linking structures and processes to the local level and understanding the real impact these have on sustainable livelihoods. Political capital explains where local people are situated – in terms of the balance of power – in relation to other groups. It therefore widens the focus from an examination of endogenous institutional innovation to one that encompasses their links with external institutions. The field studies found that such a perspective was critical to an understanding of the factors that contribute towards SL at the village level.
- The balance of power and location of political capital is not fixed and is under constant political challenge. As is the case with the other five capital assets, an understanding of how political capital operates will emerge gradually and is constantly evolving. The SL framework provides a constructive context in which to examine political capital – in particular its local manifestations. Because political capital is analytically posited in relation to other capital assets at the local level, it places the focus on how it is constituted and reproduced. If ‘politics and power’ are left as exogenous to the SL framework, this analysis will be lost, as will the ability to answer questions about politics in the context of a specific project.
- Not to include political capital also weakens the SL framework as an *approach* to development and therefore the likely effectiveness of interventions to meet SL *objectives*. Political capital is important because transforming structures and processes is likely to be met by resistance to change. Political capital places the focus on transition costs of policies and projects; on those that are likely to meet resistance and on how these may be manifested. Further, placing political capital into the framework avoids a false sense of objectivity in deciding between alternative institutional arrangements, and makes explicit the values and notions of justice on which choices are made.

# 1. Introduction

## 1.1 Introduction

This report examines the usefulness of the sustainable livelihoods (SL) framework as an *analytical* framework. ‘Sustainable livelihoods’ has been developed as an approach, objective and framework of analysis and has gained increasing currency in development policy and practice over the last few years. ‘Sustainable livelihoods is a way of thinking about the objectives, scope and priorities for development, in order to enhance progress in poverty elimination’ (Ashley and Carney, 1999). SL is an *approach* to development based on the core principles of people-centred, participatory, sustainable activities. SL is a critical development *objective* in its own right. SL is also an *analytical framework* that provides a way of understanding the factors that influence people's ability to achieve SL in a chosen circumstance.

The SL approach was developed within research institutes (e.g. the Institute of Development Studies and the Overseas Development Institute), NGOs (e.g. CARE and Oxfam) and donors (DFID and UNDP). In the UK, the Government White Paper on International Development made a commitment to work towards the International Development Target of eliminating poverty by 2015. This commitment and renewed policy focus led to a rethinking of DFID strategies, which gave SL a central role as an approach, objective and analytical framework. The SL approach has since been subject to considerable scrutiny as questions are raised about how it can be operationalised in its various dimensions.

As a contribution to this debate, this paper focuses particularly on one dimension: SL as an analytical framework. The potential of SL was examined by applying the framework for analysis in a research project on decentralised watershed management in India commissioned by the Overseas Development Institute and funded by DFID. The paper argues:

- That the strengths of SL as an analytical framework are compromised unless political capital is included as an endogenous asset.
- That not including political capital also weakens the SL framework as an *approach* to development and therefore the likely effectiveness of interventions to meet SL *objectives*.

The final section makes some initial suggestions about how political capital could be included in the SL framework.

The report is organised as follows. Section 1 outlines the background to the research question through involvement with DFID research programmes and the preparation of the Western Orissa Rural Livelihoods Project. It explains the research questions that were raised and how these will be examined through the SL framework. Section 2 compares SL as a starting point of analysis with the entry-points adopted in other frameworks. It examines the advantages and disadvantages of SL as a framework of analysis and suggests some conceptual and theoretical reasons for including political capital in the framework. Sections 3 and 4 provide insights into the SL framework from research on decentralisation and Section 5 concludes with some suggestions about how political capital can be included in the framework.

## 1.2 Background and context of the research

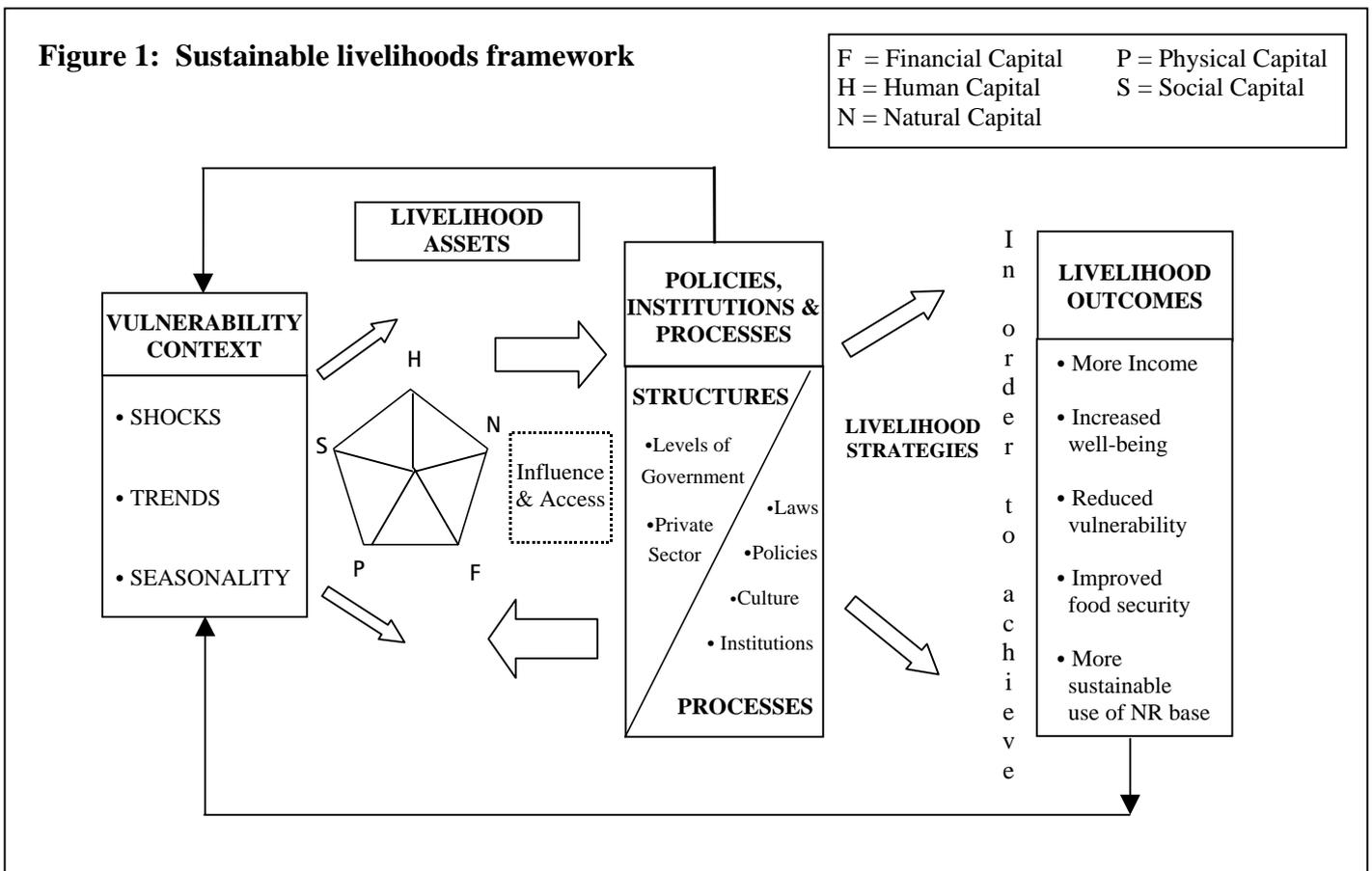
Debates over the role and scope of decentralisation are one of the most striking features in development policy discourse to have emerged over the last decade. Supporters of decentralisation do not belong to any single political group: they come from the centre, the left and the right. They also include groups who disagree fundamentally with each other on the objectives of decentralisation. India is no exception; decentralisation has taken vastly different forms in the regional States and has been supported by groups for very different objectives.

This paper explores the interface between two types of decentralisation in India – administrative decentralisation, taking the example of watershed management programmes, and democratic decentralisation in the form of *Panchayati Raj*. The principal question raised here, concerns the relationship between these two institutional systems. Specifically can (and should) institutions for political decentralisation play a role in achieving decentralised management of geo-hydrological complexes such as watersheds, in a way that leads to the participatory, sustainable and equitable use of resources, as well as enhance incomes and livelihood? This question is pursued here through an examination of the principles and assumptions inherent in the two institutional systems for decentralised governance, and a preliminary exploration of the factors that influence their operation. The interface between them is explored through village level fieldwork in Orissa (Rayagada District) and Uttar Pradesh (Dehradun).

The research draws on a fairly long trajectory of involvement in the question of participatory watershed management, decentralised local governance and sustainable livelihoods. The research was commissioned by the Overseas Development Institute (ODI), and was part of a larger research programme on *Partnerships and Policies for Improved Natural Resource Management* funded by the Department for International Development (DFID). As part of this research, an ODI team reviewed the quality of implementation of the Guidelines for Watershed Management in 1997–1998 (Turton et al., 1998). The ODI also conducted major research into the replicability of participatory approaches to watershed development, (Farrington et al., 1999a). As a follow-up, preliminary research was commissioned by ODI and undertaken by Social and Economic Research Associates (SERA) on decentralisation in Karnataka and Andhra Pradesh (Baumann, 1998b). Finally, ODI and SERA were both involved in the design of the Western Orissa Sustainable Livelihoods Project, the former on the Natural Resource Study and the latter on the Institutional Study. The combined lessons from these projects – and unanswered queries about the SL framework – form part of the background to this study.

### 1.1.1 The SL framework

The three objectives of the SL framework – analysis, approach and objective – are integrally linked. The SL framework was not intended to be a sophisticated model for theoretical analysis, but one oriented towards a comprehensive and practically focused understanding of ground realities that could directly or indirectly inform development interventions. The effectiveness of the SL framework for analysis is therefore judged by these standards in this paper, and not by comparison with more complex constructs. Because of the practical orientation of SL, the SL framework is also judged by how well it translates into SL approaches that meet SL objectives.



The livelihoods framework is not intended to depict reality in any specific setting. Rather, it is intended as an analytical structure for coming to grips with the complexity of livelihoods, understanding influences on poverty and identifying where interventions can best be made. The assumption is that people pursue a range of livelihood outcomes (health, income, reduced vulnerability etc.) by drawing on a range of assets to pursue a variety of activities. The activities they adopt and the way they reinvest in asset building is driven in part by their own preferences and priorities. However, types of vulnerability including shocks, trends and seasonality also influence them. Options are further determined by policies, institutions and processes (such as the role of governments and the private sector and institutional, policy and cultural factors) which people face. In aggregate, these conditions determine their access to assets and livelihood opportunities and the way in which these can be converted into outcomes.

The framework identifies five capital assets which people can build up and/or draw upon: human, natural, financial, social and physical. These assets constitute livelihood building blocks. To a limited extent they can be substituted for each other. Thus the poor may draw on social capital, such as family or neighbourhood security mechanisms, at times when financial capital is in short supply. Within this context people are likely to pursue multiple activities and outcomes which may not be simply monetary, and might for example relate to a sense of well-being. Generic types of livelihood outcomes are given in the right-hand box in Figure 1 (this description of the SL framework is adapted from Farrington et al., 1999b).

## 1.2 Development of the research question

Watershed development projects have been operating in various guises since before Independence. The significance of a watershed is that it represents the most rational unit at which to plan for the integrated conservation and management of natural resources for optimum production. Watersheds vary in size; large ones the size of river basins can contain within them thousands of micro-watersheds. Despite this variation, early programmes took ecological objectives as their starting point when selecting the scale and deciding the scope of watershed management projects. Projects were managed as public works projects with complex tendering processes, detailed work orders, target-orientation and a general lack of local participation.

There has been a transformation in the early concept of ‘watershed management’; from targeting a geo-hydrological unit comprising land and water within the confines of a drainage divide, to ‘watershed development’. The rationale behind the new concept of watershed development in a nutshell, is that the rehabilitation and development of environmental resources in an integrated manner can lead to the development of economic resources within the watershed. For this to occur, holistic watershed development has to move away from a physical target focus and incorporate associated, non-land based activities in an integrated approach. This reflects the recognition that many land-based activities do not help the landless or the poor, and that the management of natural resources has to be linked to the development of secure livelihoods in order to be sustainable. In terms of strategy, emphasis was placed on a participatory approach that involved people in both the planning and management of interventions. Many of the changes were facilitated by a highly progressive set of Guidelines for Watershed Development issued in 1994 by the (then) Ministry of Rural Areas and Employment (MoRAE), covering its various schemes, projects and programmes. Early experience of implementing these guidelines was reviewed by Turton et al. (1998). In brief, the guidelines were innovative in three respects:

- They encouraged collaboration between governmental and now governmental organisations as project implementing agencies (PIAs)
- They facilitated the participation of local people in the design and implementation of rehabilitation
- They allowed local-level control over the disbursement of funds for rehabilitation

The list of activities that could be undertaken as part of watershed programmes expanded, and the organisational formations and/or partnerships to implement watershed projects grew, both in number and complexity. The pace of change and the scale and complexity of the evolving agenda for watershed development has led to a debate over its conceptual, institutional and logistical parameters (Farrington et al., 1999a):

- What macro-level policies and factors affect the operation of watershed management?
- Should watersheds be defined according to biophysical criteria, human settlement patterns, administrative boundaries or a combination of all three?
- What type of institutional arrangements will enable participation from marginalised groups and ensure that the costs and benefits are equitably distributed?
- How can participatory approaches be made more cost-effective and less time consuming?
- How can the sustainability of the watershed approach be ensured once project implementing agencies leave?

A cross-cutting theme in all of these questions is what role reformed local government Panchayati Raj Institutions (PRIs) can, or should have, in watershed development and what bearing their involvement might have on the issues raised above.

*Panchayati Raj* is a three-tier system of democratic self-government that was made a statutory part of Indian governance by a Constitutional Amendment passed in 1993. The basic tier of *Panchayati Raj* as envisaged in the Act, is the *Gram Sabha* consisting of persons registered in the electoral roles comprised within the area of the Panchayat at the village level. Above the *Gram Sabha* is the *Gram Panchayat*, the first level of elected body covering a population of about 5,000 in most States. The *Gram Panchayat* may include more than one village, but it is mandatory for these to be constituted. Above the *Gram Panchayat* there is a tier at the block level and the *Zilla Parishad* (ZP) at the District level. Provisions are made for the reservation of seats at all three tiers for women, scheduled castes and scheduled tribes.

The 73<sup>rd</sup> Amendment mentions that State legislatures may by law ‘endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level’ (MoRD, GoI, 1993). In this connection, the Eleventh schedule lists 29 functions as a reference point, at least half of which involve natural resource management.

The Guidelines for Watershed Management have specifically noted that the PRIs should take a leading role in watershed development, but have left the details of this role unclear. The guidelines specify that the *Zilla Parishads* may have overall responsibility for programme planning and implementation (para 29), that Panchayati Raj Institutions may be Project Implementing Agencies (para 31), and that members of the *Gram Panchayat* should be part of the Watershed Association (para 38). Similar involvement is ascribed to Panchayati Raj Institutions in the financial provisions, the planning process and the technical aspects of the projects. (MoRAE, GoI, 1994).

There is so far no vision of how the PRIs might complement the tasks undertaken by the State and NGOs or how to institutionalise their roles in practice. These linkages between Watershed Management Institutions (WMIs) established under the guidelines and PRIs offer, as will be explored in this study, an opportunity for institutional synergy as well as for conflict.

### ***1.3.1 The Western Orissa livelihoods project***

These preliminary explorations raised the questions that are addressed by this paper. The objective of examining the SL framework – a secondary objective – was derived from the fact that the SL approach is gaining increasing currency and acceptance. It was also derived from the experience of working on the design of the Western Orissa Rural Livelihoods Project (WORLP), which is intended to meet SL objectives in accordance with the Government of India’s strategy, a watershed-based approach. The experience informed the perspective in this paper for the following reasons:

- The team appreciated that WORLP was a livelihoods project, but the SL framework was not at the time sufficiently developed to inform the approach to analysis. When the team encountered the framework towards the end of the study phase, there were several reactions: (1) the framework reflected its experience and conclusions, in the sense that poverty can only be explained by looking at the interaction of various factors. The SL framework was useful because it formalised these thoughts and put them into a context of wider processes and trends; (2) the other reaction was a

question: would the framework have contributed to a deeper understanding of causality in poverty and how to address this? There were already a number of ‘spaghetti diagrams’ presented by the social studies group that drew relations between a bewildering host of factors.

- The central conclusion reached by the design team, was that poverty is more related to institutional factors than natural ones and that a technical watershed based approach is insufficient. This led to the development of the concept of watershed plus. The plus components relate largely to capacity building activities aimed at the marginalised, and are intended to create an institutional framework in which the benefits of watershed management can be equitably distributed.

The experience of working on WORLP led to several questions about the SL framework itself and about watershed development as an approach to poverty alleviation. How useful is the SL framework in developing an analysis as opposed to a description, of poverty? It has been argued that “SL analysis can be used to highlight the critical influence of power imbalances, as in the design of the India watersheds project” (Ashley and Carney, 1999:35). However it is highly debatable whether the SL framework *per se* – as opposed to a general awareness of the obvious role of power imbalances – highlights much about power relations. And even if this were true, is the SL framework able to pinpoint anything *specific* about power relations that has obvious design implications, aside from the conclusion – available without the SL perspective – that imbalances in power relations cause poverty, and that targeting poor people has to take into account these imbalances. Can the SL framework be extended to an analysis of power relations that illustrates how they operate and how they can be addressed in project design? And where should watershed development start and stop? More specifically, do activities such as those under watershed plus components not infringe on the mandates of other institutional systems such as PRIs?

The SL framework of analysis was developed for practical purposes: to inform a SL approach to development and to attain SL objectives. But to what extent can questions like the ones posed above relating to principles of development, be answered by the SL framework? Can technical solutions contribute in some way to an improvement in the institutional structure of society? Does this not require a notion of social justice and a vision for the future? In which case, how does this fit into the SL framework?

### ***1.3.2 The livelihoods framework applied to the research question***

The SL framework is used to understand the macro-scale processes that influence decentralised decision taking, such as that for watershed management. It is also used to understand the factors underpinning the relationship between macro policy and decentralised decision taking, that influences the extent by which people are able to progress towards a SL through the current institutional frameworks of decentralisation. The following are the guiding research questions:

1. What macro-level ‘policies, institutions and processes’ have led to the evolution of the agenda for decentralised resource management, and to what extent do these still constrain or enable the operation of watershed development and PRIs?
2. To what extent can the SL framework explain the comparative capacity of watershed development and PRIs to contribute to SL at the village level?

3. What principles should determine the institutional mandates of both watershed management and *Panchayati Raj* systems, and in which areas should operational boundaries be established?

The research reported here first examined the evolution of decentralised systems in the context of the wider political economy and policy environment. The political factors that explain their importance in policy today and those that constrain their development are considered. As specified in the SL framework, policies, institutions and processes were examined to see how they have responded to local demand and how they affect local livelihoods.

The second question was based on fieldwork in Uttar Pradesh and Orissa and examined how the two systems could contribute to the development of sustainable livelihoods. Most of the fieldwork was conducted by Taru Leading Edge, New Delhi. For reasons of space and because the data is needed for illustrative purposes, only the Orissa study is included in this paper. One village in each District was chosen for in-depth study, though 3–4 neighbouring villages were also studied in lesser depth for comparative purposes. Quantitative data was collected (e.g. on benefits occurring to households) as was qualitative material through individual and group interviews. In each village the five capital assets, as well as political capital, were examined in dynamic interrelation to each other, and in relation to the vulnerability and institutional context as specified in the SL framework. For the purposes of this report the data from the fieldwork is necessarily abridged. However, Baumann, Sharan and Sinha (2000) do provide a full report which has as its principal focus decentralisation and SL as an objective and an approach, not as an analytical framework.

The third question was addressed by examining data from macro-level research as well as fieldwork. It is argued here that some issues concerning institutional mandates may be resolved by considering operational details, such as appropriate scales of operation or best location for technical know-how. Others may need to make reference to some principles of social transformation and justice, and to be addressed through a sound understanding of what has come to be termed 'political capital'.

## 2. Decentralisation and the SL framework as a conceptual entry-point

This section will examine aspects of the decentralisation debate, using SL as a starting point for an analysis of decentralisation compared to the entry-points taken in other frameworks. The advantages of the SL framework are drawn out, and theoretical arguments made for the explicit inclusion of a sixth political type of capital.

### 2.1 Definitions

Two types of decentralisation are examined in this paper:

- *Deconcentration or administrative decentralisation: Watershed development*  
This refers to the dispersal of agents of higher levels of government into lower arenas and the partial delegation of tasks formerly carried out by the Government, to NGOs and the private sector at the local (district and below) level. The management of watershed development has been assigned to District Rural Development Agencies (DRDAs) or ZPs and to PIAs, who can also be NGOs or private sector agents at the district level and below. Much decision making over watershed development has been further decentralised to Watershed Committees at the village level, who have been given funds and a high degree of relative autonomy to carry out these decisions. Details of the evolution of the approach are given in Section 3.
- *Devolution or democratic decentralisation: PRIs*  
This refers to the transfer of resources and power (and often tasks) to lower level authorities “intended to be largely, or wholly independent of higher levels of government and which are democratised in some way, and to some degree” (Manor, 1999:8).

Deconcentration and democratic devolution can occur in isolation or together; most would argue that deconcentration without some democratic content will generate a lack of accountability. When deconcentration happens without democratisation it can mean a penetration of higher levels of government into lower arenas, because it enables authority to penetrate without any accountability. Democratisation without fiscal and administrative decentralisation can fail, if local authorities lack the power and resources to make any local changes or progress. The destructive consequences of devolution without such supporting measures have been clear in the past and present record of *Panchayati Raj*.

Although PRIs are a part of the constitution, and there are written guidelines for decentralised watershed development, the political context in which they operate has led to wide variations in the extent and character of decentralisation. Watershed management can on occasion, make a claim to have introduced more democratic content into local decision making than *Panchayati Raj*. Both NGOs and Government Project Implementing Agencies (GPIAs), have involved people in decision making in a format where there is some community control over decisions taken by ‘elected’ leaders recognised by the group. In this case, it can constitute genuine decentralisation and the importance of any associated benefits should not be discounted where they are not strictly democratic.

These definitions refer to ideal types: the distinction between these two types of decentralisation is far less clear in practice. Another type of distinction occurs between decentralisation that is supported or implemented with an administrative mentality, and that which bears a democratic mentality. For example, many proponents of watershed development regard this as a strategy for promoting empowerment that can lead to a democratisation of local institutions (i.e. a democratic mentality). Conversely, proponents of PRI may argue that their primary value is to facilitate local planning and the implementation of projects. Blair (1995) sets out these differences in the following way:

**a) Participatory Planning**

*Administrative* – since regional and local variations (even in relatively homogenous countries) require flexible approaches to different areas, democratic decentralisation can help to facilitate effective planning and implementation at the local level.

*Democratic* – people at the grassroots who understand the particularities of their immediate locality, should have real control over how state policies affecting them are formulated and implemented.

**b) Accountability**

*Administrative* – there is a need to cultivate political support for the regime at local and intermediate levels (or among elites there). Democratic decentralisation can provide patronage channels that will help to achieve that.

*Democratic* – grass roots supports for the regime is best generated through mechanisms of accountability, and government should be accountable at or near the local level.

**c) Regional Policy**

*Administrative* – to prevent regional disaffection and secession movements, a bestowal of some autonomy on elected bodies at intermediate and local levels is advisable.

*Democratic* – the geographical heterogeneity of cultures can fruitfully be accommodated through democratic decentralisation.

**d) Service Delivery**

*Administrative* – responsibilities for service delivery (and sometimes the tasks of fundraising for it) can be transferred from the national level downward through decentralisation, easing burdens on the central government.

*Democratic* – publicly funded local services are more effectively provided when people at intermediate and local levels can influence the process.

These definitions need to be established at the outset of research, precisely because the boundaries between administrative and democratic decentralisation are blurred in reality. The question surrounding the potential of both types of decentralisation to enable SL needs information on how they operate in practice, as well as some notion of principles and social vision concerning the potential direction of their future development (research question number 3). As is argued below, exploitation of the ‘democratic’ variants depends to some extent on the development of political capital.

## 2.2 The rationale for decentralisation

Calls for decentralisation are not new in India; the influence of *Gandhian* ideals has always been part of the national policy debate on development. These ideals have historically run parallel to the construction of a centralised state system, which until recently have lacked the power to become a part of the dominant political agenda. The emergence of arguments for decentralisation in the 1980s can be linked to the disillusionment felt in different quarters, in the ability of centralised governments to oversee the development process. Development theories that provided analytical support for a centralised state began to lose ground against other theories, which supported decentralisation as a component of their world view (Manor, 1999).

However, whilst there is now a consensus on the need to decentralise, the consensus for decentralisation in India remains diverse. This is based on different analyses of the community for reasons of State failure, and of the process of policy change. For example, some of the rationale for decentralised natural resource management is presented as primarily an issue of rights and citizenship; others present the argument in terms of efficiency and consumer choice. There are three approaches worth mentioning: public choice approaches, donor approaches to good governance, and populism. These arguments and their corresponding conceptual entry-points to the question of decentralisation will be compared with those provided by the SL approach.

### 2.2.1 Public choice approaches

Public choice approaches start with the premise that the market allocates resources more effectively than the State, and in order to achieve economic growth it is ideally better to rely on the free market than on state intervention. In the few circumstances where it may be critical for the State to manage and allocate resources, this is best done at a decentralised level or even delegated to the private sector so that services can be matched more closely to demand. Political decentralisation is supported because it is seen as a way in which political demand for services can be linked to the requirement that these are paid for. Decentralised authorities become sellers of goods and services and citizens become consumers, who can however express their choice through the political process. Decentralisation therefore increases the number of jurisdictions that consumers can choose from and this choice becomes more effective if user fees are introduced.

This argument is introduced here, not only because it has had a major international influence on thinking about decentralisation, but because its logic is apparent in watershed development despite the continuing centrality of the State in the management of natural resources. Public choice theories argue that decentralisation through contracting services out to the private and voluntary sectors will increase the efficiency of local services. Providers will be free from cumbersome government hierarchies and social structures, and market competition will ensure that the services are effective. The services provided will be more efficient because they will be linked to performance-based indicators; more transparent because the providers will deal directly with clients and more accountable because clients will be able to choose between different service providers. The State then, becomes an enabling organisation which ensures that the conditions for the smooth delivery of services are maintained.

The provision of services to local communities for natural resource management are increasingly either contracted out or performed in 'partnership' with the NGO and private sector. The recommendation that services should be contracted out, is evident in the Forest Policy of 1988, the National Forest

Action Plans, the Joint Forest Management Resolution, the Eighth Five-Year Plan and the design and reform of the Guidelines for Watershed Development. The justification given for contracting out to NGOs is particularly strong, as it is argued that they are more responsive and effective in dealing with local communities. In fact, loans from international donors are often contingent on the adoption of a principle of ‘partnership’ with local agencies and communities.

### ***2.2.2 The good governance agenda***

Another major influence on the issue of decentralisation has been donor influence, especially in promoting a ‘good governance’ agenda. During the 1980s, donors began to put pressure on developing countries to promote good governance through democratisation and decentralisation. Donor agencies moved away from large-scale development projects to smaller micro-level process projects and began to stress the importance of drawing communities in at the local level as participants. The World Bank for example, in its World Development Report (1997:105), states that decentralisation is a means of “bringing the State closer to the people”. This is because it provides the opportunity and scope for greater participation and transparency, reduces the burden of the resource crunch on states and facilitates the involvement of civil society actors in the governance, planning and implementation of development projects. Decentralisation is also an important part of the SL approach, albeit more implicit, because the case is not made for decentralisation as such, but for increased local participation in planning.

Donor support for decentralisation – both administrative and democratic – is often articulated more as a practical remedy to past policy and project failures than as an ideological approach with theoretical underpinnings. Insofar as these can be teased out, they are evidently influenced by public choice theories and the economic pressure on governments in the Structural Adjustment era. The World Development Report (1997) argues that the rationale for decentralisation is similar to the rationale for ‘liberalisation, privatisation and other market reforms’ and makes an argument for political decentralisation on the grounds of economic efficiency, where “public goods and services should be provided by the lowest level of government that can fully capture costs and benefits” (1997:120).

The World Bank, as well as other donors such as DFID, also emphasises the importance of local empowerment and participation in supporting decentralisation policies. However paradoxically, democratic decentralisation is often justified through efficiency arguments whilst the measures taken to ensure local empowerment are related more to administrative decentralisation. Manor points out for example, that World Bank documents “appear to reveal a preoccupation with this sort of involvement of local people in development project cycles, rather than with the promotion of well-established, elected institutions” (1999:9). The arguments made for participation and an emphasis on civil society actors could potentially invoke a different notion of ‘citizenship’ and ‘public action’ than that which currently prevails in much of the developing world. However, given the nature of international development aid (including as is discussed below that for watershed development in India), calls for such changes are made in the sober tones of ‘sustainability’, ‘efficiency’ and ‘equity’.

### ***2.2.3 The populist agenda***

The last major influence on the decentralisation agenda comes from a school of thought described as ‘moral economy’ (Mosse, 1997), more commonly known as ‘populist’ (Baumann, 1998a). Populism

has greatly influenced the policy consensus on community management approaches. An important characteristic of populism is a shared vision of the past, where communities managed natural resources sustainably through endogenously derived rules. Populists emphasise social rights and value systems in generating and developing natural resources to ensure subsistence amongst other things. Decentralisation is regarded as essential in allowing these systems to survive, and centralisation the reason they were disturbed in the first place.

Collective action in a decentralised system will be maintained by the moral economy based in collective dependence. There is no distinction made between deconcentration and devolution, because the emphasis is that community management is enabled by autonomous, internally sustained and self-reliant institutions. An argument frequently made is that effective power at the local level would result not only in alternative development, but in alternatives to development. Such arguments, often backed up with a full critique of Western-scientist-colonial-patriarchal models of development, are not at all marginal; versions of this view are quite common among higher policy circles of the Indian State and amongst some donors.

### **2.3 Advantages of the SL framework**

The three approaches to decentralisation outlined above, are evidently different in their theoretical starting points as well as their constituencies and final objectives. However, their assumptions about the community, types of decentralisation, natural resource use and process of policy change are very similar. It is argued here, that these assumptions weaken their arguments in theory and therefore the potential of deriving practical policy solutions from them:

- The policy consensus in favour of decentralisation and in particular community resource management, is supported and legitimised by theories of collective action which produce apolitical and ahistorical constructions of communities. Institutional, economic and populist analysis has different assumptions about collective action; the former considers this to be rooted in rational self-maximising behaviour whereas populists see the individual as a social being. However, both emphasise the independence and autonomy of local communities from the State and are not able to account for the ways in which external pressures constitute, reproduce or change community relations.
- Decentralisation and devolution essentially become interchangeable mechanisms to achieve the same objectives in all three approaches. This is perhaps by default, since none of the approaches expresses a strong position on how the two might differ, and what their areas of conflict and complementarity are. Thus the good governance agenda supports participatory development through projects such as watershed development, while making the case for democratic decentralisation on the grounds of efficiency. The public choice and good governance agenda do not take a strong position on the issue of rights over natural resources either. Whether these are in fact rights that should be held in trust for people by democratic institutions or merely resources from which people should expect an efficient service is not addressed. Populism shirks this important question altogether by merely stating that they are traditional rights, but does not propose through which modern institutional system they should be protected.
- Resource management is separated from other aspects of social life in the three approaches. There is little analysis of the relations of power that constitute collective action and conflict and how they are related under different resource use systems. Collective action is seen either as endogenous to

the community or as a series of trade-offs made on the basis of self-interest and calculated by individuals, regardless of the specific structures of power in which these are located or the characteristics of the resources themselves. This has led to a standardised approach that positions the community (community as individuals) as the crux of collective action, regardless of internal or external relations of power. Further, in the current discourse any failure of institutional arrangements for resource management is more commonly attributed to social phenomenon than on the natural resources themselves, no matter how degraded these are.

SL avoids many of the pitfalls of the approaches outlined above. SL does not incorporate a political theory of change or transformation and because of this it was found to present a neutral starting point for the research. Central to the SL framework is a vision of the community seen as the outcome of relations based on capital assets and the influence they have on wider structures and processes. The SL framework is able to conceptually isolate one variable, such as social capital, and examine what influence the other capital assets (financial, physical, natural, human) have in constituting this, and how it is affected by the wider structures and processes. It therefore provides a much richer and dynamic picture of causality with much more accurate policy conclusions. The SL framework also allows for an analysis of the factors that contribute towards the development of natural capital through the same cross-examination of variables. For example, if collective action in natural resource management can be linked to mutual dependency – in terms of inputs to financial and physical capital – rather than social capital (as assumed in the populist framework), then this may have other implications. None of the approaches above are able to incorporate such an analysis into their framework.

## **2.4 Politics, power and the SL framework**

None of the three approaches explored above, incorporates an analysis of politics or how policy changes towards decentralisation can be initiated. Public choice approaches consistent with the principles of new institutionalism, assume that policy changes and institutional innovation happen in an evolutionary way. The ‘good governance’ approach, while acknowledging power relations in an abstract sense in the same way that it recognises the need for ‘empowerment’ does not however, address the issue of opposition to change. Instead, a focus on decentralisation objectives and community solutions allows for standardised interventions to the perceived failures of the State and market, without deconstructing their relation to the community. None of the three approaches effectively addresses the issues raised by the political costs of transition, from a centralised to a more decentralised system of natural resource management.

The SL framework – whilst it has major advantages as an analytical framework – does not address the issue of power and politics either. The “fundamental role that power imbalances play in causing poverty” has been acknowledged, as has “the somewhat cleansed, neutral approach to power issues” in the SL framework, and potential solutions to this constraint (Ashley and Carney, 1999:35). One solution is to incorporate politics into an analysis of policies, institutions and processes which influences the choices that people are able to make with their capital assets. Some work has already been done on deconstructing these relations in the context of an examination of the Forest Department in India (Hobley and Shields, 2000). Another would be to widen the definition of social capital. Yet another, argues that “the key principles are to recognise the limits of any single framework, to draw on a range of tools (including analysis of social relations and power) and to ensure that use of SL approaches is rooted in wider perspectives on the need to address entrenched obstacles to poverty elimination” (Ashley and Carney, 1999:35).

This paper argues that politics and power relations should be incorporated into the framework as an endogenous variable that can be termed ‘political capital’. The following is an outline of the reasons which the rest of the paper will substantiate, using both theory and evidence from the fieldwork.

1. If politics is recognised as ‘playing a fundamental role’ in causing poverty, then it cannot be left out of a framework that has as its objective an understanding of poverty. Doing so is not merely a matter of rendering the framework incomplete; the failure to deconstruct power relations can also render the framework inaccurate.
2. While the operation of politics is clearly evident in ‘policies, institutions and processes’ it is also a ‘capital asset’ in the same way that social capital is an asset upon which ‘individuals draw to build their livelihoods’. Political capital is an asset that links an individual or a group to power structures and policy outside the locality. Therefore, an understanding of how it works introduces a dynamic element into the framework.
3. Political capital is critical for turning SL from a useful descriptive framework into an operational decision making tool. Putting politics into the framework is critical as changing institutional structures is usually a political, not a technical exercise. It is important therefore, to be explicit about notions of value and justice on which particular choices are made.

There is nothing new about these observations on power and politics. Many approaches on decentralisation explicitly explore power relations and take as their starting point the position that community institutions cannot be viewed in isolation to wider market and state structures. They recognise that there are transition costs involved in challenging these power structures when attempting to establish true decentralisation. They also recognise that specific social and power structures underlie norms of collective action in natural resource use. However, these perspectives are not the ones used to legitimise the way in which decentralisation is rationalised and implemented. Further, none of these approaches has a methodology for analysing power relations. The SL framework could provide the latter, because power relations can be analytically posited in relation to other capital assets at the local level, which would place an emphasis on how power is constituted and reproduced.

## **2.5 Political capital and transition costs**

Why, when the importance of ‘power and politics’ has been acknowledged, can this not simply as suggested, be left as exogenous to the framework? Why can power not be captured by processes and policies, and in what way does it constitute a capital asset? This section outlines some conceptual and practical reasons for the inclusion of political capital in the SL framework, rather than treating it separately.

### ***2.5.1 Analytical importance of political capital***

There is a political basis to any development policy and an understanding of how this operates is critical. It cannot be wholly encapsulated as structures and processes because it also involves an analysis of the relations *between* structures and processes, and how these affect a particular context or strategy for developing SL. The political *a priori* can be described as a ‘political settlement’ (Khan, 1996). The political settlement is the balance of power that enables the definition of a structure of rights

(which are politically defended claims and assets) and the pursuit of a public policy objective (such as decentralisation) without further reference to the rights structure (Roy, 1998). 'Rights' are likely to have been politically negotiated in the past, and are under continual renegotiation and political challenge. Conceptualised in this way, 'power and politics' is capital both in a direct tangible sense in that rights give way to claims and assets, and in an indirect way, in that institutions (both structures and processes) determine access to these claims and assets. A public policy objective like decentralisation has the potential to challenge the structure of rights in a political settlement, and to be resisted by those who could lose political capital in either a direct or an indirect sense.

This is a general statement about the operation of 'power and politics' which so far does not provide a reason for why political capital should be included as an endogenous asset. The following reasons explain more closely why an understanding of political capital is critical for an understanding of the factors that enable or constrain sustainable livelihoods.

1. The notion of political capital is critical because 'rights' are claims and assets, which in SL language 'people draw on and reinvest in order to pursue livelihood options'. Because these rights are politically defended, how people access these assets depends on their political capital. It is therefore critical to understand how rights are constituted at the local level and the dynamic interrelation between political capital, and the other assets identified in the SL framework.
2. Understanding the location of political capital is important because the State – far from being a patron whose operation may be followed through structures and processes – often lacks legitimacy. The property rights specified in policy statements are often weakly defended and the State's policies under political challenge. A political settlement may place the State in a weak position, with regards to the implementation of new policies and the protection and enforcement of rights. 'The balance of power determines what is demanded, by whom, and on what terms. It also determines the feasible response of the State to such demands, given the structure of supply' (Khan 1996). Without an understanding of political capital, the SL framework would not be able to identify these constraints to development policies.
3. Political negotiation over rights is not transparent and cannot necessarily be captured in structures and policies. In explaining 'why the Indian State is not better at development', Wade (1988) shows how politics and administration are inter-twined in the everyday practice of 'development', where the connection between 'high' and 'low' level corruption is linked to the authority of approving ('sanctioning') or denying the transfer of staff. He points out that because of the rapidity of transfers and the need by officials to raise 'black money', there is less authority over the bureaucratic centre than is assumed. In fact, the most important allocative parts of the State are often rented out. As Khan (1996) notes, agents granted rights by the State may have to make further pay-offs to prevent contestation over their access to the incomes generated by their assets. This has several consequences; first, by lowering the productivity of capital in many infrastructural projects the effects also undermine the workable authority of the Government. Secondly, rural surplus is flowing upwards through channels controlled by public office holders but is unavailable for development (see below). This process is of critical importance to an understanding of development practice, yet it is not transparent and cannot be captured without a specific attempt to locate political capital.
4. The operation of political capital is critical when linking structures and processes to the local level and understanding the real impact they have on sustainable livelihoods. For example, it may mean that canal managers will be under pressure to reduce certainty about water supply so as to maximise

revenue from bribes; the forest department will be under pressure to give illicit contract for trees; seed sold by private dealers will receive certification in exchange for payment and contracts for work will be purchased. Rural areas may therefore be producing more surplus than is assumed and this is flowing upwards, but since it is extracted by rent-seeking it remains unavailable for re-investment. It is important therefore to see how political capital is locally constituted and reproduced (in relation to the other capital assets).

5. An understanding of political capital also enables an analysis of how structures and policies work, and of the dynamic relations between them. It also enables a comparison between policies in different political settlements. As Khan notes, “the political settlement can explain why performance rankings of institutions in one political settlement may not be transportable to another” (Khan, 1996:77). The SL framework, for example, was applied to an analysis of the different performance of watershed management in Andhra Pradesh and Orissa (Turton, 2000), but was only able to pinpoint the main structural issues.
6. Finally, political capital is important because policies, institutions and processes that aim to change the structure of rights are likely to meet resistance to change. Incorporating political capital into the framework is important because it focuses attention on what Khan has called the ‘transition costs’ of different policies. “Most important institutional changes are politically resisted by the losers... the intensity and extent of resistance is the real cost of change faced by initiators, namely the transition cost” (Khan, 1996:81). As changing institutions is a political and not a technical exercise, an understanding of the transition costs involved is critical.

### ***2.5.2 Practical importance of political capital***

The analytical importance given to identifying a political settlement may appear prescriptive. It is important not to be tautological when drawing connections between cause and effect based on the balance of power. The political settlement is not a fixed state and is under constant political challenge; policy and livelihood outcomes cannot simply be predicted on the basis of a presumed settlement. As is the case with the other five capital assets, an understanding of how political capital operates will emerge gradually. It is not conclusive, is constantly evolving and may often be wrong. However, there is plenty of evidence of the contours of a settlement in the distribution of power and resources in India.

There are therefore some very practical reasons that political capital should be included in the SL framework. There are also some very good reasons why the SL framework is a good tool for the analysis of political capital.

1. Despite the fact that power and politics are routinely blamed for the failure of plans and projects, they have become part of the corridor and canteen conversations of development practitioners. However, this has rarely been subject to rigorous analysis in the project context. For example, as Wade (1988) has argued, there has been little focus on what actually happens to the income generated by corruption, or when there are discussions about politics influencing the bureaucracy an analysis of why bureaucrats respond to that influence. The SL framework would in fact be a very constructive context in which to examine the political settlement – in particular its local manifestations – and to prevent complacency about how it operates. Because political capital is analytically posited in relation to other capital assets at the local level, it places an emphasis on how it is constituted and reproduced. If ‘politics and power’ are left as exogenous to the SL framework

this analysis will be lost, as will the ability to answer questions about politics in the context of a specific project.

2. The inclusion of political capital in the framework is critical if the other two components of SL – the SL objective and the SL approach – are to be realised. As mentioned earlier, the fact that the SL framework does not have a theory of social change or of political transformation has certain positive features. But the absence of an explicit social theory or political agenda can also undermine the framework, rendering the data collected as merely part of an academic exercise. The findings from the analysis have to be linked into some projects in real-time. As Sellamna aptly points out in the context of discussing models “a scientific paradigm that purports to advance participation, presented fundamentally as a *moral* cause, while at the same time eschewing issues of social justice and economising on social theory, is bound to provide an empty grid in which every actor can inscribe their own agenda. The agenda is likely to be a continuation of the status quo. Or worse” (Sellamna, 1999:31).

### 3. SL and the analysis of macro-level processes

What macro-level ‘policies, institutions and processes’ led to the evolution of an agenda for decentralised resource management, and to what extent do they still constrain or enable the operation of watershed development and PRIs? As noted in Section 1, this was one of the primary research questions to which the SL framework was applied.

#### 3.1 Macro-level explanations for the decentralisation agenda

Decentralisation implies not just the creation of a policy or guidelines, but also their acceptance by people and political elites at all levels, especially those in state and central governments who may be reluctant to relinquish power. PRIs and watershed developments have not been institutionalised in this sense, in fact their autonomy and control remain contested in most contexts. Progressive steps towards the decentralisation of various tasks in development planning have already been taken in many States in India. However, it is generally acknowledged that there is still a widespread political and administrative resistance towards decentralisation.

What led to the emergence of an agenda for decentralisation, what prevents decentralisation measures from being institutionalised, and why does it work better in some States than others? The two subsections below will give an overview of the emergence of the agenda, with a summary at the end explaining why these cannot be captured through the existing SL framework.

##### 3.1.1 *Panchayati Raj*

Many of the macro-level processes that explain the evolution of the agenda for *Panchayati Raj* and the constraints on its operation, can be linked to the operation of political capital. There are also many factors rooted in legislative and operational constraints, such as the lack of democratic experience, of technical expertise, and of clear guidelines governing its operation. But the slow progress of the *Panchayati Raj* administration during the 1960s and their decline by the early 1970s, can be linked to the fear held by members of the State Administration and State-level politicians, that the successful working of the *Panchayats* would severely erode their responsibilities, financial powers and opportunities for patronage. The corruption of *Panchayats* and their transformation into cliques for powerful politicians is another reason advanced for their stunted growth and loss of public support (Mathew, 1995). Re-articulated as instruments of politics, a number of political parties became interested in using PRIs to secure vote banks and increase their influence in rural areas. The combined effect of these factors was to starve PRIs of independent resources and to create rural discord rather than development. In addition, it is suggested that by the 1960s the strategy for the administration of rural development had itself undergone change, with greater emphasis placed on intensive area development, ‘target group’ approaches and the assertion of ‘line’ administration for departmental handling of development (Jha and Mathur, 1999).

The return of *Panchayati Raj* as a topic on the political agenda in the late 1970s can be linked to a change in the political settlement. The Janata regime, which formed the first non-Congress National Government constituted the Ashok Mehta Committee that had suggested measures for countering the perceived centralising tendencies of the earlier Congress regime. The social base of the new regime was represented by an ascendant agrarian class of farmers from intermediate castes, who had been

denied power in earlier dispensations. For them, decentralisation was coterminous with escape from the patronage of traditional high caste, landlord-bureaucratic order. These ‘bullock capitalists’ wanted a greater share of the State’s resources and more say in government. This period also saw the emergence of many non-Congress governments at the State level, which saw the establishment of *Panchayati Raj* as part of a general move towards a more federal polity. West Bengal (under the Left Front Government), Karnataka (under Ramkrishna Hegde) and Andhra Pradesh (under N. T. Rama Rao) became the first States to seriously attempt to establish these bodies anew. Central to the political settlement that has shaped PRI development since the mid-1970s, are centre-State relations and the changing power of political parties and newly emergent social groups.

Wide variations in state-level power relations have resulted in equally wide variations in the politics of the PRI. For example, the same Congress party that opposed the Karnataka experiment drew lessons from it in framing the 73<sup>rd</sup> Constitutional Amendment, although ironically this is argued to be ‘less liberal to local stakeholders than the 1983 one’ (Vyasalu and Vyasalu, 1999). Further, although the reforms in Karnataka brought some genuine empowerment to rural areas, it has been argued that the leadership was captured by dominant *Vokkaliga* and *Lingayat* castes who had been fighting for influence within the Janata Party and in state politics more generally. In Andhra Pradesh, the Telugu Desam Party (TDP) reorganised PRI in order to gain the political support of the middle peasantry and to challenge the dominance of the Congress. In Haryana, State-level political leaders and bureaucrats had been given so many powers over PRI as to effectively scuttle any possibilities for transferring power to the grassroots. In States such as Bihar and Uttar Pradesh, where the politics of caste-based reservations and communalism have set the agenda, PRIs have not been articulated as a politically powerful demand.

The reforms were therefore not motivated by a concern for decentralisation *per se*, nor by popular pressure from the poor grassroots but as a means for newly emergent social groups to consolidate their powers vis-à-vis the State and other groups in rural society. The reforms undoubtedly led to a change in the political settlement, but not one that could claim to have given the poor a significantly greater voice in the development process. The transition costs involved were minimal in most parts of the country, precisely because of such accommodative politics. However, enormous administrative and political opposition to PRI persists and prevents the realisation of the democratic and developmental objectives with which they have been officially mandated. However, although decentralisation started for narrow partisan aims it can have unintended consequences, and although the grassroots did not demand it this does not mean that they are not alert to its possible advantages when it is given to them. The political settlement as well as the mixture of good intentions and canny political bargaining in extending power bases, continues to be critical to an understanding of the potential of PRIs for real decentralisation.

### **3.1.2 Participatory watershed management**

Section 1 has described the emergence of an agenda for participatory watershed management. What factors motivated such changing institutional and technical approaches and to what extent do these constrain or enable participatory watershed management? Most reviews isolate the development of participatory approaches as an experience-induced outcome from five decades of watershed development, as well as the lessons drawn from participatory approaches used in other sectors (Farrington et al., 1999a). It is argued here, that changing concepts about watershed development are also critically linked to political settlements. The pressure to change watershed development policies and to decentralise can be indirectly but critically linked to:

- Pressure from emergent social groups to be included in rural development strategies
- Pressure from development intermediaries to implement participatory watershed development
- The good governance agenda and donor pressure to be cost-effective and accountable

Changing watershed development strategies can be linked as much to a general disaffection with central planning and pressure to change, as they can be to experience-induced changes. The consensus nationalist movement and the legitimacy of its mandate to plan development lost support in the 1970s. This period saw the emergence of many non-Congress governments at the State level that began to insist on more autonomy from the centre and more control over the implementation of programmes. The political settlement was also under pressure from newly emergent social groups, who placed pressure on the State to change previous patterns of centralised resource allocation and to involve them in institutions that had so far been dominated by high caste and often urban interests. The rejuvenation of the PRI was one manifestation of this pressure as described in the last section. However, the State also responded by increasing its patronage network and redistributing state resources in exchange for vote banks. This pressure is reflected in watershed development as well as other allocative policy initiatives. The State's strategy shifted from being primarily technical, to a focus on employment generation and public works activities as part of its poverty alleviation programme. In widening the focus of watershed development in this way, the State was able to include newly emergent groups in the implementation of watershed development and the distribution of watershed development benefits.

Secondly, there was pressure from development intermediaries (NGOs and rural activists) to change the concept and strategy of watershed development to a more participatory approach. The influence of development intermediaries on policy necessitates a closer examination of their objectives and the terms of their official institutionalisation into policy. Most development intermediaries are “members of the professional classes, who, by virtue of their ownership of scarce skills, information or organisational resources stake a claim on the social surplus. Property, in this sense, is as much a material base of this class as any other” (Bardhan, 1984:155). In terms of the political settlement, they are a part of the proprietary classes that constitute the dominant coalition in the State.

The pressure that was placed on the Government to take a more participatory approach has resulted amongst other things, in the official institutionalisation of development intermediaries into the development process. The trend in new Watershed Development Guidelines follows that already established in forestry and wasteland development. The Eighth Five Year Plan recognised the ‘need to decentralise control over nature and natural resources’, and to involve voluntary organisations and NGOs in this process. The National Wastelands Development Board had a special fund established for NGO project management, and the Joint Forest Management circular recommended that the Forest Department and NGOs should collaborate to maximise their comparative advantage. NGOs are increasingly involved in an advisory capacity in policy formation and international lending, which has increasingly been directed to institutional reforms that involve NGOs because they are considered to be flexible and more attuned to local conditions. The political convictions of development intermediaries are diverse and could theoretically play a transformative role in the political settlement. However, the extent to which development intermediaries represent rural interests in opposition to the State is politically and institutionally circumscribed.

A third set of related macro-level explanations for the impetus to implement decentralisation strategies is donor influence, the good governance agenda and the pressure to combine more accountable and cost-effective local service provision with the poverty alleviation agenda. Donors have had a significant influence in shaping the agenda for natural resource management and defining and refining participatory objectives and methodologies. Much of this was *post facto*; the impetus to appoint the

Hanumantha Rao<sup>1</sup> committee and the subsequent recommendations are better explained by the factors mentioned above.

The operation of the Watershed Development Guidelines is critically influenced by political negotiation over organisational roles and priorities between different interest groups. The examination of the operation of these interest groups and their relative political capital is important for three principal reasons:

- Watershed development policies have not arisen from grassroots demands. As local participation takes place in a framework that local people did not themselves design, it is important to understand the factors that contributed to the emergence of the framework.
- The political capital of the various interest groups will continue to affect the extent to which watershed development can achieve its stated objectives of sustainably enhancing livelihoods. An understanding of how these interest groups operate is therefore of value when assessing both the resistance and the potential for institutional change in practice.
- The State is not monolithic and its negotiation of development policy and response to political pressure is affected by internal negotiation. Even good policies have to operate within the framework of a political settlement and may be opposed by interests internal and external to the State.

### ***3.1.3 Summary: Macro-level processes and local implications***

It has been argued above, that the agenda for decentralisation depends on the location of political capital within the system. The political settlement is shaped by amongst other factors, the party political equation between state governments and the centre, the political capital of intermediary social groups on the margins of the political system and the nature of economic growth and its effect on local demand. Much of the impetus for democratic decentralisation initiatives has come from “politicians struggling to cope with over-extended patronage systems, in order to enhance the State’s capacity for non-coercive governance” (Manor, 1999:43).

The overview provided above of macro-level influences and constraints on the decentralisation agenda is simplistic. However, for illustrative purposes it explores to what extent these can be captured by the existing SL framework. The SL framework appears limited in several ways:

First, the emphasis on policies, institutions and processes does not capture these dynamics; many of these policies and structures do not vary greatly between States. The process through which decentralisation has been managed cannot be understood by evaluating the operation of policies. It is a process that has broader structural and systemic manifestations, which can only be well explored in any specific context once these broader forces have been taken into account.

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<sup>1</sup> The Hanumantha Rao Committee was constituted in 1993 to make specific recommendations on the implementation of the Drought Prone Area (DPAP) and Desert Development Programmes (DDP) with a watershed approach. The Committee submitted its recommendations in 1994 and a new set of guidelines was formulated by the MoRAE based on these recommendations. Donors reacted positively to the apparent opportunity offered by the government for working together to institutionalise a participatory approach to a SL project (the DFID, WORLP and Andhra Pradesh projects are two good examples).

Secondly, the emergence of the agenda for decentralisation despite the exaggerated importance given to social and ecological movements, owes little to grassroots pressure on the system. This is not to deny that there has been a political awakening and growth of civil society organisations in India. Many elite political activists and intermediaries have defended the cause of decentralisation on behalf of the poor, but this is very different from a decentralisation inspired by popular demand. The ‘influence and access’ arrows that link the five capital assets to ‘policies, institutions and processes’ cannot explain either the initial emergence of the decentralisation agenda, or the local effect that it has had.

If this is accepted, what then of the following solution: to keep the broad interest group analysis as provided in the two sections above separate from the framework and situate any context specific and project relevant SL analysis within this broader framework. As suggested in Section 2, this would be in order “to draw on a range of tools (including the analysis of social relations and power) and to ensure that use of SL approaches is rooted in wider perspectives on the need to address entrenched obstacles to poverty elimination” (Ashley and Carney, 1999:35). This solution is not bad, but as Section 2 also indicates, including political capital into the SL framework is better because it enables a context specific and project relevant analysis of these power relations.

Inserting political capital into the framework also facilitates an exploration of how political settlements work in any particular context. For example, one of the major contributory factors to the decentralisation agenda was the political capital of newly emergent social groups. How is this constituted at the local level? To what extent is it linked to natural capital assets, such as control over pastures or the non-timber forest products (NTFP) trade in a particular location? If it is linked, how does a project for participatory watershed management address these imbalances? How is local political capital invested? If it is invested in the delivery of a local vote bank, what is the return on investment? If the return includes the informal assignment of rights to local elites to issue contracts, to what extent does this undermine the notion that local people can choose between different service providers? And what is the sphere of influence of local political capital – village, block, district? And to what extent is it based on networks of social capital – caste relations, party political affiliation etc?

These questions require an iteration between the macro-level and the micro-level, which the SL framework with the inclusion of political capital can provide. Including political capital also enables a better analytical basis for comparative research. For example, how can relatively successful models of decentralisation such as the People’s Development Agenda in Kerala, be replicated elsewhere? In Kerala, *Panchayati Raj* has enabled a participatory planning process that is fairly advanced in comparison with other States. However, this model has to be understood firstly in terms of the political settlement that was reached, where the State Government tried to increase its mandate among rural voters by incorporating them into new political alliances. This in turn as has been argued, was the result of the fiscal crisis of the State, which prompted the Government to take measures to ‘unleash the creativity of the villagers’ and to enhance revenues by providing them with a new governance framework.

To what extent is this replicable? Firstly, it is worth pointing out that an enabling framework and local demand were created through the prior creation of some political capital and an institutionalised form of politics. Secondly, Kerala has an unusually high stock of human capital that can be used to start the process of participatory planning, however unsuccessful this may turn out to be. The operation of the policy itself has a large element that is unpredictable and contingent. Such developments can only be examined *post facto*, however an understanding of political capital and an exploration of how it operates using the SL framework would be an effective way in which to assess transition costs and investigate reasons for programme performance and the potential for institutional change.

### 3.2 The costs of transition towards decentralisation

The previous sections have pointed to the importance of political capital in determining how the two institutional systems operate. These factors also impose a constraint on the decentralisation process that cannot be captured in the notion of a transaction cost. There are also transition costs that refer to the resistance to change from the 'losers' of change (Khan, 1996). The location of such transition costs will depend on the nature of the political settlement. As noted in Section 2, an analysis of political capital is critical for an understanding of this as such political challenges, negotiation and resistance may not be transparent. The State may be politically unable to withdraw existing rights, and may therefore be forced to create new ones. This is a very likely explanation for the particular articulation of organisational roles in watershed development and PRIs, which allows the State to continue an ultimate negotiation of these interests.

The following section will look at how some of these abstract concepts regarding political settlements, translate into practical constraints in the interaction between the two systems. This section draws on some earlier fieldwork involving stakeholder interviews (Baumann, 1998b).

- Conflict between watershed development and PRIs on areas where they have parallel roles*

The first type of conflict is a systemic one, in that the roles given to Watershed Management Institutions (WMIs) and PRIs in natural resource management, are overlapping rather than complementary. This creates a problem, as PRIs are institutions of self-government with a constitutional mandate to plan development with watershed management being one of the functions under their domain. WMIs are non-statutory institutions created for the purpose of locally sensitive watershed management. The problem arises when these roles are confused; PRIs are treated as 'project implementing agencies' and WMIs are supported to promote village planning in general (as is happening with watersheds) and to federate at the block and district level. Politically, it would be almost impossible for the State to exclude either the State Administration or PRIs from some role in watershed development. However, the lack of clarity and competition over their respective roles has potentially negative implications for the implementation of watershed development.
- Administrative and political conflict over decentralisation*

The single biggest constraint on the operation of both watershed development and PRIs is political and administrative opposition to decentralisation. This is not a single 'organised' opposition, but a complex web of shifting alliances in conflict over the extent and level at which to decentralise. State Governments and Members of Legislative Assemblies (MLAs) in particular, constitute one of the biggest obstacles to PRIs as they have a considerable amount to lose from a fully functioning PRI, especially if the *Taluk Panchayats* are fully empowered. This level is their constituency and it is there that they collect votes. These centralising tendencies continue at the district level and from below. Within the PRI system, they work to prevent power from being devolved from the *Zilla Parishad* (ZP) to the lower levels. Within the State Administration there is a tendency for centralisation within line departments, where the notion of a long line of command and upward accountability and for 'Collector Raj' is well known (Jain, 1985).

As suggested, the opposition to decentralisation is not only a consequence of reluctance to relinquish profit from patrimonial networks, but the inability to politically withdraw local rights and privileges that are contested by well-organised social groups. The effectiveness of the opposition to decentralisation can be seen in the actual measures that were taken to operationalise PRIs and Watershed Development Institutions (WDIs). Whilst the autonomy and duties ascribed to the Watershed Committee's in the guidelines can be described as radical in relation to what preceded it,

the progress in operationalising this has been slow. WDIs still operate in a hierarchy that creates a chain of dependency from the village right up to the central funding level.

It could very well be argued that the State, under pressure from ascendant social groups, development intermediaries and donors to demonstrate an adoption of participatory principles, has constructed organisations that demonstrate conformity to this approach without changing the underlying institutional relations on which these are based. In fact, because the State has not changed any working briefs or accountability structures, it could be argued that by creating dependent institutions right at the village level, the State is in fact increasing the effectiveness of its centralisation.

What effect do ‘partnerships’ and ‘contracting-out’ have on decentralisation in practice? The evidence from decentralised natural resource management is that while some economic management has been decentralised, political power remains centralised. Therefore, control over policy, economic decision making and resources is separated from the provision of services. This is evident in watershed development; the State sets the parameters within which the system works and retains a right to sanction all activities. Further, the process through which contracts are awarded is influenced by the power relations and social contexts in which they are negotiated. These are likely to be negotiated in a non-transparent manner and lead to outcomes that are not efficient or accountable. If there is indeed a problem with service provision, the State has protected itself from blame and so has effectively ‘passed the buck’.

- *Relations between PRIs and the State Administration*

Conflict between the State Administration and PRIs over their respective roles in the political settlement is another factor that might constrain or complicate measures for decentralisation. On paper the *complementarity* of these two systems is obvious and an integral part of any democratic system. However, the State Administration has since Independence been given such a central role, that it is now unwilling to consider itself as a tool or merely an administrative arm, of elected representatives. The Ashoka Mehta Committee on *Panchayati Raj* in 1977 found the conflict between the administration and the PRIs to be the single biggest cause for the failure of PRIs. The conflict between PRIs and the State Administration is also one of class. PRIs may be dominated by an elite, but they are a *local* elite, usually part of the ascendant rural classes that successfully changed the political settlement. The opposition to any further decentralisation of control into their hands is tangible and often phrased in terms of the ignorance, corruption and short-time horizons of elected officials.

- *Relations between the Government and NGOs*

This is the relation that has received by far most of the attention in debates over the roles that each sector should play in decentralised natural resource management. There have been intense debates over government-NGO comparative advantages and complementarities in management. However, this relation is the least constraining and least complicated in terms of its effect on enabling decentralisation. It does not challenge the political settlement on which policy is based; government officials especially IAS and development intermediaries, often have whatever their differences, a common class background. The informal links between the IAS and NGOs in particular are manifold, with increasingly fluid movements from one system to another, English as a common language and a common middle-class, often urban background. Mathew has commented on the preference of many NGOs for working with the Government: “they prefer to deal with the district collectors and senior government officials rather than with the unsophisticated, rugged villagers,

that is to say, these middle-class, English-educated social workers and activists are more at home with their own class in the bureaucracy than with the villagers” (Mathew, 1995:47).

- *Development intermediaries and PRIs*

What role will development intermediaries play if the *Panchayati* system starts working and how do NGOs feel about the *Panchayati Raj* system? The answer from one NGO respondent is representative: *frankly, NGOs feel threatened by Panchayati Raj institutions*. The role and scope of NGO involvement in development projects, development programmes and now even development policy formulation has grown enormously in the last two decades. Their role has in part, been facilitated by the lack of a viable grassroots system for promoting local development. It has also been facilitated by the increasing allocation of funds available for NGOs. ‘Over Rs 2000 crores comes from abroad every year through the Foreign Contributions Act and the so-called registered voluntary societies receive another Rs 10,000 crores from foreign funds’ (Roy, 1997). The MoRD administers a grant-in-aid scheme, which allocates funds directly to NGOs specifically for wasteland and micro-watershed development.

The potential conflict of interest between development intermediaries and PRIs revolves around the role that they would play and the funds that they would access. One of the main reasons that PRIs failed to operate in the past, is because of the non-availability of financial resources and the absence of clearly defined financial powers. The State Finance Commissions now have the mandate to establish the financial powers of the PRIs, both through allocating them funds and specifying areas in which they can raise revenue. Suggestions have also been made that NGOs should not receive funds from either the Government or foreign agencies.

- *The primary stakeholders*

Changes in local power structures along the lines proposed by watershed development and PRI policies, are actively opposed by local elites in the majority of cases. There may be no opposition to the creation of local self-help groups, or to women or scheduled castes taking their reserved seats in the *Gram Panchayat*. However, when this translates into a concerted group activity to change local access to resources or to control institutions that have access to wide power structures, this has in general been opposed by local elites. In general, watershed development and PRI were not a response to grassroots demands and neither system has so far substantially challenged the local political settlement. However, there have been some notable exceptions; neither watershed development nor PRI resulted from popular demand but they have led to some associational activity on which it may be very difficult to backtrack. Nevertheless, in a more decentralised system marginalised sections of the community should be able to claim their rights, though the evidence so far suggests that the transition costs involved will be high.

These are all transition costs but exploring them may also lead to an effective identification of areas in which realistic complementarities can be built. The relationship between governments and development intermediaries is one such area, which has already been pinpointed as having a moderate record of success. There is also the potential for negotiation at least in some areas, for a similar relationship to develop between development intermediaries and PRIs. For example, most subjects in the XIth schedule which are under the jurisdiction of PRIs, and those issues in the Seventh Plan identified as falling under the role of NGOs, suggest room for co-operation. The XIth schedule identifies subjects (such as watersheds, education etc) whilst the Seventh Plan concentrates on facilitation: ‘to supplement government efforts’...‘to disseminate information’ ... ‘to demystify technology’. Therefore, whilst there are areas that conflict, there may also be room for collaboration (MoRD, 1993).

## **4. The SL framework and an analysis of decentralisation at the village level**

To what extent can the SL Framework explain the comparative capacity of watershed development and PRIs to contribute to SL at the village level?

The SL framework is much more suited to an analysis of micro-level processes than it is to either macro-level processes, or the interaction between the micro and the macro level. The capital asset model provides a good basis from which to analyse the relative importance of the different assets and how they interact with each other. The SL framework also provides a good basis from which to ask why people undertake certain activities, and therefore come to an understanding of strategies and risk. Because of the smaller scale of analysis the question of political capital is also easier to include in practice, even if it is not explicit in the framework.

The following two sections will provide some evidence from the micro-level fieldwork on why including political capital in the framework is constructive despite the smaller scale of analysis. Again, the fieldwork is presented briefly for illustrative purposes; see Baumann, Sharan and Sinha (2000) for a fuller account of SL dynamics in the village.

### **4.1 SL in Kondkitunda**

In Orissa (Rayagada District), the Kondkitunda micro watershed was chosen for study. This is part of a project on *Sustainable Development Through Integrated Watershed Management in the Drought Prone Remote Tribal Pockets of Orissa* funded by German Agro-Action (GAA) and managed by Agramee, an NGO. This section will outline (1) the activities of the watershed development project and its contribution to local capital assets, and (2) the interaction between watershed development and the *Gram Panchayat*. The following section will consider the analytical capacity of the SL framework to explain the local SL context, and to provide policy solutions on the basis of this analysis.

#### *(1) Activities and achievements of the watershed development project*

The watershed development project in Kondkitunda has had some success in increasing local capital assets. There are two important characteristics of the project – a wide range of activities and matching contributions from the public. The project has contributed to increased cultivation, a decline in walking distance to collect wood, and better water availability. There are other spin-offs that do not flow directly from conservation measures, but from the greater sense of purpose given by the project. For example, the processing of agricultural products like tamarind and the running of oil pressing units for sale; voluntary forest protection and contribution for labour; fish cultivation (entire village) and grain banks (entire village). Skill development programmes benefit all sections of the community, especially the poorest during the non-agricultural season. Further participation in various committees has contributed to the process of empowerment. The following is a summary of the contribution that the project has made to SL.

**Table 1: Capital assets in Kondkitunda**

Assets	Generation of assets by watershed development
Natural	Vegetative bunds; crop demonstration; plantations of various types; rejuvenated forests; farm forestry and agro-forestry; farm pond; vegetative check-dam.
Financial	Direct employment on project; processing of agricultural products for sale; enhanced income from purchase of land, livestock and material.
Physical	Cross-drainage work; earth and stone contour bunding; mechanical check-dam; oil processing machinery; <i>Vikas Kutir</i> ; poultry and goats.
Human	Skill development; less hard labour in gathering; more vegetables in diet; empowerment and less fear of strangers etc
Social	Increase in associational activity (grain banks, <i>mahila mandal</i> , Watershed Committees, youth club).
Political	Social empowerment, but little knowledge or engagement with the wider development context.

To take the first three capital assets, the project has contributed to tangible physical, natural and financial assets. The regeneration of natural assets and the creation of physical assets and related income generation opportunities has contributed towards the stock of assets on which people can draw in making livelihood decisions, and therefore the choices and options they can exercise. Skill development and the release of labour from gathering, has made a tangible contribution to human capital both through the direct provision of a capital asset and through building confidence in local capacity. The importance placed on people's participation in the watershed development approach has also had some success, in that it has been the impetus for a number of associational activities and so, a contribution to local social capital.

Most of the five capital assets were developed within the framework of the project and with a large external financial input. Although they have been supplemented by local financial contributions it is doubtful whether many of these will be sustained beyond the project lifecycle. The practices that led to the regeneration of natural capital may continue, as may some of the income generating exercises that have contributed to financial capital. Many of the physical assets will be sustained for a period, although it is uncertain whether the village will be able to manage their operation and maintenance. Further, financial capital in the form of direct employment generation from the project was the most sought after asset, especially for the poor. Even though Kondkitunda is fairly homogenous, there is a general feeling that those with better assets of private land benefited more. The human capital developed is a sustainable contribution, as is the experience of associational activities that have contributed to local social capital.

The project has made a significant contribution to SL and is a success compared with many other watershed development projects. But how significant is this contribution to SL and to what extent is it replicable and sustainable? The natural, financial and physical capital assets that the project has contributed towards still do not provide a basis for sustainable livelihoods. The social and human capital assets are significant, but the participatory part of the project focused more on the selection of

beneficiaries and sites rather than on determining the programmes themselves. The project did not contribute greatly to the process of sustainable local planning or to an engagement with the wider structures and processes that shape the livelihood context. The notion of political capital is therefore important in terms of understanding what these wider structures and processes are, and how to address them.

(2) *The Gram Panchayat and relations with watershed development*

What about the potential of PRIs (the *Gram Panchayat* at this level) to facilitate SL, and how does the *Gram Panchayat* interact with watershed development? In Kondkitunda no effort has been made to involve the *Panchayats*. The village falls in the Kodipari Panchayat and is situated approximately 4 km away from the *Panchayat* office. There are 30 villages in this *Panchayat* with a population of approximately 6,000. There are a number of reasons put forward by villagers for non-interaction with the *Panchayat* on development matters and specifically in relation to the watershed project. These flow both from the nature of the constitutional arrangement and from the actual practice of the *Panchayats*.

- (i) Political Differences – *Manjhis*, a scheduled tribe community, are the dominant group in the *Panchayat*. The *Sarpanch Mahendra Majhi* too belongs to this *Panchayat*. Since the villagers of Kondkitunda are also all of the same community, there might have been grounds for closer co-operation on account of their organic links. However, this is not the case. Modern political behaviour rather than kinship ties were found to be more significant in determining the nature of interaction between people and their representatives (the *Sarpanch* belongs to the *Biju Janata Dal* and the villagers vote for Congress). Villagers in Kondkitunda also feel that since they did not vote for the present *Sarpanch*, he ignores their needs.
- (ii) Sham participation – the idea of more participatory development is seen as a sham. Some villagers said that meetings were not as regular as they ought to be. In the opinion of some others, while meetings are held and people are given a chance to voice their opinion, there is no guarantee that their views are taken seriously. The villagers have little clue about the final shape of the Block Action Plan (BAP) and only the very interested have the stamina to chase the *Sarpanch* or go to the Block to get information on the same. Even there information is rarely made available to them and there is a lack of transparency about how schemes are prioritised, which people find frustrating.
- (iii) Presence of a third party – villagers of Kondkitunda complained that every time they tried to approach the *Panchayat*, they were rebuffed on the grounds that *Aragamee*, which is active in the village, looks after their needs.
- (iv) Absence of ward members or marginalisation of poor members – villagers of Kondkitunda feel that since there is no ward member from their village, the needs of their village are ignored. If ward members from particular villages happen to be women and (or) poor, further marginalisation occurs.
- (v) Contract-based work – the non-involvement of people in *Panchayat* work is related to the *Panchayat's* relationship with other actors such as Gram Panchayat Officer (GPO) and the Block Development Office (BDO). To the extent that most of the development work gets done by the BAP, the *Panchayat* is left with practically only road building as its major activity. And this does not require people's participation, either in construction or monitoring. Even other works carried out by the *Panchayats* such as the repair of school buildings are usually done

through contractors, though it is suggested by the *Sarpanch* that the first offer be made to the village committee. The officials of the *Panchayat* (*Sarpanch*, Secretary) however, have a different understanding of their limitations which has to do with the flow of money and the nature of contractual work, as the following points illustrate:

- (i) The legislation regarding the new responsibilities of the *Panchayats* in the wake of the Constitutional Amendment is too new. A three-day workshop had been organised at the collectorate to familiarise all *Sarpanches* with these new provisions, but they are still unclear about the details of their new functions. There is little knowledge of the distinction between obligatory and discretionary functions, or the relationship between the different tiers of *Panchayats*. As far as the current *Gram Panchayats* are concerned, the BDO remains their only interface with a higher authority. The GPO is their major source of information and they have no independent knowledge of the various schemes for village development that the Government proposes from time to time.
- (ii) In addition to a limited idea of responsibility, there is a problem of funds. The *Sarpanch* explained that there are two sources for *Panchayat* funds – money coming directly from Delhi (for programmes such as JRY) routed to the *Panchayat* through the BDO, and money allocated to the *Panchayat* by the relevant department of the State Government. The money comes in three instalments in bulk, and is then allocated for various programmes by the *Panchayat* in consultation with the BDO. Despite there being clear guidelines for the amount of money that the *Panchayat* can ask for as its budget (25 percent more than the previous year), both the *Sarpanch* and the Secretary of Kodipari Panchayat were found to be ignorant of the amount they could ask for. The notice informing them about the budget they could submit was printed in English, a language with which both the *Sarpanch* and Secretary are unfamiliar. In practice therefore, they submit a budget proposal based on the demands of villagers (presumably articulated in *Gram Sabha* and *Palli Sabha* meetings) and then the BDO informs them about the amount of money available and what programmes can be taken up. The money sanctioned in a particular year then serves as a rough guide to preparing the Plan for the next year.
- (iii) On the other hand, *Panchayats* have now been informed that the *Gram Sabha* has to be consulted in the course of forming local development plans. The *Sarpanch* maintains that this is now happening. On the basis of this the *Sarpanch*, the Secretary, ward members and a Village Level Worker (VLW) make the Plan for all 30 villages. This is then forwarded to the GPO in the BDO, which sanctions the programmes and releases money. The crucial problem for the *Panchayat* therefore, is not the absence of dialogue with villagers, but the fact that money is routed through the GPO rather than coming directly to the *Panchayats*. It is expected that under the new *Panchayati Raj* system, money for special projects such as *Indira Awas Yojana* would come directly to the *Panchayat*, but this has not yet happened in practice.

*Panchayats* are allowed to raise money through taxes, but this hardly yields a significant amount. The auctioning of land is another source, but this too has little potential in generating the amount required for carrying out developmental activities. Thus, the *Panchayats* have no option but to link their ambitions to the grants that are made available to them from the State and central government (grants which in practice are used to pay up to 20% ‘commissions’ to various officials).

- (iv) The *Sarpanch* also feels that concurrent development activities carried out in the *Panchayat* area by the BDO or line departments of the Government create problems for the *Panchayat*. In the case of work carried out under the programmes of the Integrated Tribal Development Agency between 1992 and 1997, execution of this work lay entirely with contractors, marginalising the *Panchayats* in their own area of operation. The *Panchayat* is also subordinated to the Block in making development plans. When the BDO decides to undertake a programme, *Sarpanches* and other office bearers of all villages are brought together and then a BAP is made. This is different from the Village Action Plan (VAP) and in case there is overlap, the VAP is shelved in favour of the BAP.
- (v) In the *Sarpanch's* and Secretary's opinion, control over VLWs is another problem area. Under the new *Panchayati Raj* guidelines, a VLW is placed under the authority of the *Sarpanch* who has been granted the power to transfer him. However the salary for VLWs still comes from the Government, thus limiting the *Sarpanch's* power over him. The *Sarpanch* also does not have the power to suspend a VLW, this power also continuing to reside with the Government. Further, there is one VLW for every three *Panchayats* (roughly 100 villages), making access to him rather difficult. The *Sarpanch* of Kodipari reported that he had met the VLW two to three times over the last three years. A *Panchayat Samiti* member of *Chikan Panchayat* (Dasmantpur Block) informs that even for the limited work that VLWs do – sanctioning loans, pensions etc. – bribes have to be paid to them. At any rate, there has been little change in the power relations with other important government functionaries, viz. the GPO and the BDO.

The *Panchayat* members also claim that they are limited by three other operational factors:

- *Panchayats* only undertake activities on public land. Plantation work that is carried out by *Panchayats* therefore has very limited physical space available to it (this may or may not be true, but is mentioned by every *Sarpanch*, ward member and member of *Panchayat Samiti* whom we interviewed).
- *Panchayats* do not have a mechanism for follow-up and monitoring. Thus in plantation activities they just plant trees (on a contract basis either with villagers or outside contractors) and leave the maintenance task to a paid guard, if at all. There is very little involvement of people in looking after these plantations.
- The *Panchayats* do not have a mandate to raise money for the programmes which they carry out. As can be seen above, such contributions are an effective means of involving people and are compulsory in the watershed programmes carried out by NGOs.

In addition, the *Panchayat* members do not have the requisite skills for participating in watershed management activities. In theory, the *Panchayats* can also serve as the PIA but they are unable to do so. Experts for irrigation, soil conservation, plant selection etc. are provided by the government's line departments so that there is little opportunity for the *Panchayats* to gain these requisite skills. A lack of manpower to perform these tasks may be another constraint and could be the reason why the *Panchayat* has never thought of bringing these activities under its own domain. The following two reasons may also offer suggestions as to why the *Panchayat's* involvement is limited.

- *Panchayat's* limited vision – in practice *Panchayats* are reduced to being money sanctioning bodies, working through contractors. All the ills that attend such a mechanism – alienation from

people, bribes, delayed work, little monitoring – therefore plagues the activities carried out by the *Panchayats*. Elections are won and lost on what was sanctioned, not on what was protected or maintained.

- Lack of integrated planning – *Panchayats* draw up VAPs with a limited idea of the interconnection between various activities. Thus education is seen as separate from poverty alleviation, and both are seen as distinct to watershed management. There is no idea of an integrated plan as is common in watershed projects run by NGOs and the Government alike. This is despite the fact that training camps are increasingly being organised for *Panchayats*, to help them learn how to make VAPs, keep records etc.

## 4.2 SL and the analysis of the micro-level

The SL framework provides a good basis for an analysis of the livelihood context at the micro-level. This is incomplete however, without a focus on how political capital is manifested at the local level and therefore, the location of constraints in addressing wider power structures and processes. Including political capital in the framework enables a separation to be made between factors in the livelihood context that are operational or technical, those that are legislative, and those that relate to the structure of the political settlement.

- **Operational and Technical** factors are those that can be resolved through institutional innovation within the current political system.
- **Legislative** factors where the role between PRIs and watershed development has not been established and this has led to inefficiency and poor performance in enabling SL.
- **Political settlement** related factors, where PRIs and watershed developments have not performed well due to politically induced constraints, and where enhancing livelihoods through these structures has to address the political settlement.

### (1) *Operational and technical factors*

**Operational and Technical** factors are those that are related to the practical, logistical constraints on sustainable livelihoods. These are issues that can be solved through institutional innovation within the current political settlement. The following are some operational or technical factors that can be located using the SL framework.

- There is a lack of experience in both the participatory watershed development process and the democratic *Gram Panchayat* process. There were misperceptions between the villagers of Kondkitunda and the *Gram Panchayat* about the planning process. These issues are resolvable – the democratic process in its current incarnation is only 6 years old and will need democratic practice. The participatory process in watershed development was limited to the selection of beneficiaries and sites, and was not developed into a sustainable capacity to plan. Again, this is partly due to a lack of experience in such processes and to a culture of dependency, based on the perception that the State would deliver these benefits. Such perceptions can be resolved through a gradual process of capacity building.
- One of the biggest operational and technical obstacles is the question of appropriate boundaries for different inputs. PRI boundaries are dictated by administrative terms, such as a block, district, etc., whilst watershed development for all the flexibility that the term now implies, is based on geo-hydrological units. The example of Kondkitunda shows the importance of location in enabling the participatory process, and the importance of the right size of user group. However, it is also

important to get economies of scale – both to enable good use of project money – and for ecological and technical interventions.

- The project was not able to deliver technical solutions (in terms of enhanced physical, natural and financial capital) that could provide a basis for sustainable livelihoods. The landed benefited more, and the relatively poor benefited most from direct wage labour, a non-sustainable benefit. Again, this is a long-term process, one project alone cannot solve rural poverty. However, questions about how to change the structural constraints on SL will confront the political settlement. For example, the poor are especially dependent on the sale of NTFPs. Accessing this entitlement will conflict with the rights given to a single company in 1990.
- The system for accessing funds, the disbursement of financial resources, appropriate training for integrated planning and rights under both watershed development and PRI are not well understood. This is also a matter for further institution building, training, information campaigns etc., within the current system.
- There is also the question of the sustainability and replicability of a resource intensive project, such as the one in Kondkitunda. Such an input is clearly not sustainable, so how can this be scaled-up? Some of the answers to this question may be technical (local *jankar* systems; workshops etc.), others which anticipate other institutional routes, may address the political settlement.

### (2) *Legislative factors*

Some of the issues that explain the local SL context can also be distinguished as legislative. They stem from inconsistencies and a lack of clarity in the functions that are ascribed to PRIs and raise the question of what these should be. They need to be addressed by a clarification of the legislation, but not one that will necessarily encounter political opposition, it may simply be a procedural issue. Perhaps, for example, PRIs are not an appropriate level on which to either plan or co-ordinate natural resource management. They do after all operate on a scale much wider than a single village, and evidence from the field studies shows that even within a village participation in the planning process was considered to draw heavily on time and labour. Further, are PRIs the appropriate vehicle for the co-ordination of technical expertise? Is this not a function that is much more legitimately undertaken by a line department? These legislative issues are critical, as they represent the formalisation of the concept of decentralisation and the mechanisms through which this can be made to operate.

### (3) *Factors related to political capital*

Factors related to political settlement are particularly critical in understanding the SL context in Kondkitunda and how decentralisation works in practice. The question of what factors determine the local livelihood context – and how both watershed development and PRI can contribute to SL – has to consider their articulation within the wider institutional structure.

- The issue of appropriate scales of operation for watershed development and PRIs, which we have called a technical and operational issue, is also one that has to consider the location of political capital. PRIs and watershed developments are alternative systems of decentralisation that compete for funds and both are used as vehicles for the consolidation of claims to power.
- In Kondkitunda it seems that most of the *Gram Sabha* – and of the *Gram Panchayat* – remains excluded from the benefits of the dominant political settlement. That is, Kondkitunda does not have any significant rights (politically defended claims and assets) which it can access in pursuit of livelihood options. It appears to have neither tangible rights (over direct economic assets such as being given a tax base to raise money or rights to NTFPs) or indirect ones (being able to access

benefits from the State or exercise control over such sources). The *Gram Panchayat* remains subordinate to the State Administration (via Block Development Officers and Village Level Workers) and to other levels of the PRI.

- Kondkitunda in fact has to pay for work, such as the sanctioning of loans, pensions etc. undertaken by the State. Because there is no independent financial base, the *Gram Panchayat* has no choice but to link its ambitions to the grants that are made available to them 20% of which are used to pay commissions to various officials.

### 4.3 Summary and implications

The SL framework is a useful base from which to analyse the SL context at the micro-level, but remains incomplete for as long as political capital is not included. The analysis above shows that an understanding of the context in which people make livelihood choices is incomplete without this. This has direct policy implications, below are a few examples:

- The notion that local people can choose between different PIAs<sup>2</sup>, is contingent on the political framework in which people take such decisions and their ability to challenge the political capital of those in a position to award contracts. That is not to suggest that it is impossible, merely that it would be a political issue, not a technical one.
- The SL framework was able to reveal the critical importance of natural capital as a contribution to human capital (direct subsistence, health and well-being etc.); to physical capital (infrastructure) and to financial capital (cash from sales of NTFPs). This was possible at the micro-level, but how about increasing the ability of local people to increase their financial capital through NTFP marketing – an increase in financial capital being one of the preferred local livelihood strategies? This needs an understanding not only of structures (private sector rights) or of process (procedure for extraction), but also of the location of political capital and an understanding of how these rights are defended.
- Another implication is that Kondkitunda is evidently producing more surplus in financial – and perhaps natural – capital than has been assumed, if this is being appropriated in bribes and pay-offs. If this can be located and reinvested in local capital assets, this has clear benefits for local SL.

It is important to include political capital in the framework because it is unlikely that these dynamics would be uncovered without an explicit focus, as they are not transparent. These policy implications are important, because challenging such structures will almost certainly have transition costs. Any decisions that are made have to be aware of trade-offs between the benefits and the costs, which can be human capital in the form of human life. The operation of political capital will have location specific implications – specific contractors with political capital; the (dis)empowerment of a village-specific group or leader, or the particular combination between natural capital and financial capital in an area. Leaving politics as endogenous to the SL framework (as has been suggested), would risk losing these dynamics and could also run the risk of being inaccurate in translating SL from a framework of analysis into an approach and objective.

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<sup>2</sup> This is one of the ideas in the Guidelines for WDM. The notion draws support from the public choice rationale described in Section 2, and is frequently suggested as having the potential for decentralised natural resource management.

## 5. Integrating analysis, approach and objectives in the SL framework

What principles should determine the institutional mandates of both systems and in which areas should operational boundaries be established? This was the third research question to which the SL framework was applied. It will be used in this section as the basis for drawing conclusions, as the issue of 'principles' also raises the question of how to integrate analysis, approach and objectives in the SL framework.

### 5.1 The dynamics between social and political capital

The SL framework was able to provide a description of the structures in watershed development and PRIs, and the processes through which they operate. This provides certain operational, technical, legislative and to some extent political, information on the basis of which some decisions can be made about institutional mandates. For example, *Gram Panchayats* are certainly too large a unit for the management of many natural resources while Watershed Committees do not have a statutory status that is independent of the State apparatus. How can the advantages of each be combined to give the Watershed Committees operational flexibility in management, as well as some rights-based leverage on the State? This is one of the many issues that can be pursued through the SL framework as it stands, because the framework will provide an analysis of the capital asset combination that best enables the pursuit of livelihood options.

There are other issues such as the relationship between social capital and political capital, which cannot be addressed in the SL framework because such a distinction is not made. Yet this is crucial, because watershed development and PRIs are based on fundamentally different notions of rights and the process of empowerment and representation. Few people involved in the debate over decentralised natural resource management would dispute the value of democratic decentralisation *per se*, or argue that PRIs have absolutely no role to play in natural resource management. The difference of opinion about the role that PRIs should play (operational issues aside), relates more to beliefs about the process of local empowerment and development. Can vital natural resources on which the poor rely for their existence, be handed over to be managed by institutions which (theory aside) are dominated by elites? The debate often turns on what should come first in the development process, social or political capital.

A strong case has been that social capital is a necessary (or at least, an extremely valuable) precursor to democratic development and a determinant of the performance of local government (Putnam, 1993). This position still dominates debates over the institutional mandates of both systems. Participatory planning exercises are intended to establish patterns of collective action and to enhance the capacity of members of associations, such as those created by watershed development. Proponents of participatory development argue that until social capital is established, democratic development will be a farce and tantamount to 'passing the buck' for natural resource management.

Critical commentators on this interpretation of the relation between social capital and democratic government argue that associational life has negative externalities, that the process of building social capital is too time consuming and capital intensive, that it needs to be examined in a political context and that associations have institutionally limited roles. Social capital does in fact have negative externalities; groups are by definition exclusive. Groups at both the village and intermediary level can take advantage of new opportunities and thereby create forms of exclusion that had previously not

existed. For example, there is plenty of evidence that in villages Watershed Committees have become powerful pressure groups and have the power to take decisions, such as closing the commons, that can impact negatively on some groups.

The SL framework would be able to examine such processes of exclusion, but is limited in its analysis of the political influences on how social capital is constructed. It is also limited in terms of how to explore and recommend ways of changing the dynamics between them. For example, what mechanisms exist to ensure that associational networks such as Watershed Committees are representative, and given this, what mechanisms would they use to make the Government respond? There is evidence to suggest that in fact local government creates the framework that allows social capital to grow, rather than the other way round (Tendler, 1996; Manor, 1999). In other words, local people need political capital in order to claim rights and defend them.

These combined comments suggest that participatory development cannot be considered without reference to the political framework in which associational life operates. Recognising the importance of both social and political capital enables a better reflection on the appropriate institutional mandates between PRIs and watershed development. Political capital is therefore not only an analytical variable important in understanding the livelihood context, but also a vital requirement of SL.

## **5.2 The SL framework and the institutional mandate of watershed development and PRIs**

The section above provides some micro-level explanations for why it is important to incorporate a notion of political capital into an analysis of the institutional mandates of watershed development and PRIs. The implications from this can be carried forward to the macro-level. To begin with, it must be acknowledged that PRIs have two not necessarily compatible goals. For planners, they are instruments of development but for politicians, they are instruments to be used in bolstering party political position vis-à-vis central government, as well as in relation to other actors in state politics. Watershed development as an instrument of development planning also plays two roles that are certainly incompatible. Watershed development operates in the context of centrally planned poverty alleviation measures, as well as operating as a means to ensure the political allocation of scarce state resources.

Section 3 explored the operation of political capital in both systems and how this has restricted decentralisation in both PRIs and watershed development. It also demonstrated how the crossed institutional mandates of both systems may cause processes of change to face transition costs. The State agents most active in the operations of PRI have been bureaucrats, who have historically shied away from effectively devolving power to elected bodies. It could be speculated that since PRI involvement in watershed development could enhance PRI power, it is in the interest of bureaucrats to provide obstacles. The encouragement of watershed development by bureaucrats could also be seen as a potential threat to PRIs, as they could be an alternative foci of power and participation. From the point of view of watershed development officials, avoiding PRI might be wise if PRIs are seen as implicated in factional and party politics, since this could create problems for them from politically more powerful actors.

Political capital allows important insights into the dynamics between the two systems and into the transition costs of change. Once the constraints of the political settlement are taken into account and the differences between watershed development and PRI appreciated, the operational and legislative details

about how to draw the boundaries between the two will be more relevant. However, ultimately the question of the institutional mandates between the two systems is not an issue that can be resolved merely through analysis. PRIs are not institutions waiting to be used as delivery agents for the 21st Century development agenda, rather they are institutions of self-government. However tentative or grand this objective may seem, it should be addressed in deciding on what the institutional mandates between the two systems should be.

### 5.3 From framework of analysis to approach and objective

The SL framework of analysis (as described in Section 1) is not intended to depict reality in any specific setting, 'but to provide an analytical structure for coming to grips with complexity of livelihoods, understanding influences on poverty and identifying where interventions can best be made' (Farrington et al., 1999b). The core principles of SL as an approach that can operationalise such an understanding are (Ashley and Carney, 1999:7):

- People-centred – 'focusing on what matters to people'
- Responsive and participatory – 'poor people themselves must be key actors'
- Multi-level – 'creating an enabling environment, where the micro-level informs the development of policy' and 'macro-level structures and processes support people...'
- Conducted in partnership – 'with both the public and the private sector'
- Sustainable – 'economic, institutional, social and environmental sustainability balance'
- Dynamic – 'recognise dynamic nature of livelihood strategies, respond flexibly, develop long-term commitments'.

How can analysis from the SL framework which is not intended to depict reality in any specific setting, provide the basis for interventions based on the SL approach? Most of the core principles mentioned above, make an implicit statement about power and empowerment – that is that they are an important influence on poverty. But by failing to make this explicit in SL as an analytical framework, the effectiveness of the model for practical interventions is reduced. 'If power has no locus or reality in itself it cannot be transferred nor *really* acquired; methodologically, if power is nowhere it is everywhere and therefore any discursive analysis is bound to eventually legitimise the existing power relations precisely because it recognises none' (Sellamna, 1999). Including political capital on the agenda is therefore one way of importing this model into the real world; to 'projectise' it, that is to endow it with political intent, and to fit it into a time-frame with a recognition of these specific contradictions.

This perspective will also enable a more realistic 'stakeholder analysis' which is currently confined to a description of sectors or groups with an 'interest stake or involvement' in a particular project. This does not provide instruments for an analysis of conflicting interests and their relative political strengths. For example, analysing 'primary stakeholders' as local interests does not allow for internal conflicts of interests – dividing primary stakeholders into rich or poor, or marginal or elite, does not help this any further. The State cannot be seen simply as a 'secondary stakeholder' as the interests it represents are not monolithic and are frequently and internally contradictory. The inclusion of the concept of political settlement and institutional transition costs into stakeholder analysis, provides a tool for the analysis of such constraints.

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