

Working Paper 124

**DO THE POOR MATTER?
A COMPARATIVE STUDY OF EUROPEAN
AID FOR POVERTY
REDUCTION IN INDIA**

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Foreword

This paper is one of a series on the experience of European development cooperation agencies in the use of their aid programmes for poverty reduction. It is the product of a major collaborative research programme involving ten European development research institutes. The programme breaks new ground in its intention to compare and to draw from the collective experience of donors within the European Union. The Overseas Development Institute played a coordinating role. The institutes involved are:

Asociación de Investigación y Especialización sobre Temas Ibero Americanos (AIETI), (Madrid);

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute; Berlin;

Développement des Investigations sur l'Adjustment à Long terme (DIAL), Paris;

European Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

Nordic Africa Institute (NAI), Uppsala;

Overseas Development Institute (ODI), London;

Third World Centre, Catholic University of Nijmegen, Nijmegen.

The objective of the first stage of this research programme was to describe and assess for each agency, those goals which concern benefits to poor people and to review their organisation and management in order to implement their goals and objectives. The ten agencies are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. The Working Papers on the following agencies are now available.

Danish Aid Policies for Poverty Reduction by Lars Udsholt (WP 100); *German Aid Policies for Poverty Reduction* by Eva Weidnitzer (WP 101); *Italian Aid Policies for Poverty Reduction* by José Luis Rhi-Sausi and Marco Zupi (WP 102); *French Aid Policies for Poverty Reduction* by Lionel de Boisdeffre (WP 103), *Spanish Aid Policies for Poverty Reduction* by Christian Freres and Jesús Corral (WP 104) *Swedish Aid for Poverty Reduction: A History of Policy and Practice* by Jerker Carlsson (WP 107). *The European Community's approach to poverty reduction in developing countries* by Christine Loquai, Kathleen Van Hove & Jean Bossuyt (WP 111); *Finnish Aid Policies for Poverty Reduction* by Timo Voipio (WP 108); *Netherlands Aid Policies for Poverty Reduction* by Paul Hoebink & Lau Schulpen (WP 115).

The second stage of this collaborative research programme consisted of a series of *seven country studies* to examine the operations of the European agencies in the pursuit of poverty reduction in Bolivia, Burkina Faso, India, Nepal, Tanzania, Zambia and Zimbabwe. Mixed teams from different institutes have undertaken these studies with the assistance of the field offices of the agencies and of local research personnel. Special attention was paid to the country context, the nature of the processes involved including country strategies and dialogue between partners on poverty reduction issues. In addition, a sample of specific interventions was examined to assess the effectiveness of approaches to their identification, targeting, design and implementation as well as the benefits they provided to poor people.

The following country studies are now available as Working Papers.

European Aid and the Reduction of Poverty in Zimbabwe by Tony Killick, Jerker Carlsson & Ana Kierkegaard (WP 109), *European Aid for Poverty Reduction in Tanzania* by Timo Voipio & Paul Hoebink (WP 116), *European Aid for Poverty Reduction in Nepal* by Hans Gsaenger & Timo Voipio (WP 123).

This study of the poverty reduction operations of the European development agencies in *India* has been undertaken by Steen Folke, Neil Webster, Lau Schulpen and Aidan Cox and has involved three Institutes; the CDR in Copenhagen, the Third World Centre, Catholic University of Nijmegen and the ODI in London.

I am most grateful for the cooperation of each Institute in this endeavour and for funding their contribution to each of these studies. The help of all those agency officials and advisers who have responded to enquiries and interviews by the collaborating researchers, was also greatly appreciated. Finally I would like to acknowledge the financial support provided by the Poverty Bureau of the Ministry of Foreign Affairs in the Netherlands and the former UK Overseas Development Administration, now the Department for International Development, which made possible ODI's contribution to this research programme. However, neither they nor any others who have assisted in this programme, necessarily agree with the facts presented and the inferences drawn.

John Healey
Overseas Development Institute

Acronyms

AAO-FW	Assistant Agricultural Officers – Farm Women
ADP	Area Development Project (<i>United Kingdom and Denmark</i>)
ADS	Aleppey Diocesan Society (<i>Germany</i>)
AF	Agro Forestry
AP	Andhra Pradesh
APEP	Andhra Pradesh Primary Education Project
ARWSP	Accelerated Rural Water Supply Programme
BAIF	Bharat Agro Industrial Foundation
BDCOD	British Development Cooperation Office Delhi
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung – Federal Ministry of Economic Cooperation
BUPP	Bangalore Urban Poverty Programme (<i>the Netherlands</i>)
CAPART	Council for the Advancement of People’s Action and Rural Technology
CDP	Desert Development Programme
CIDA	Canadian Institute for Development Assistance
CSP	Country Strategy Paper
CSSS	Changanacharerry Social Service Society (<i>Germany</i>)
DAC	Development Assistance Committee (OECD)
Danida	Danish International Development Assistance (Agency)
DEA	Department of External Affairs
DFID	Department for International Development (<i>United Kingdom</i>)
DG	Directorate General (<i>European Union</i>)
DGIS	Directoraat-Generaal Internationale Samenwerking (<i>the Netherlands</i>)
DIETs	District Institutes of Education and Training
DKK	Danish Kronen
DoP	Department of Planning
DPAP	Drought Prone Areas Programme
DPEP	District Primary Education Programme (<i>European Union and United Kingdom</i>)
DRDA	District Rural Development Agency
DVP	Doon Valley Integrated Watershed Development Project (<i>European Union</i>)
DWCRA	Development of Women and Children in Rural Areas
EAS	Employment Assurance Scheme
EC	European Commission/Community
EGS	Employment Guarantee Scheme
EU	European Union
FA	Farmers Association
FD	Forest Department
FTC	Farmers Training Centre
GAD	Gender And Development
GoI	Government of India
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit – German Agency for Technical Cooperation.
GTZ-SHF	GTZ Self Help Fund
HADP	Hill Areas Development Programme
HDFC	Housing Development Finance Corporation
HUDCO	Housing and Urban Development Corporation
ICDS	Integrated Child Development Services Scheme (<i>Sweden</i>)
IDA	International Development Association
IEC	Information, Education and Communication

IJRY	Intensive Jawahar Rozgar Yojana
IOV	Inspectie Ontwikkelingssamenwerking te Velde (<i>the Netherlands</i>)
IRD	Integrated Rural Development Programme
IRS&WSP	Integrated Rural Sanitation and Water Supply Project (<i>Denmark</i>)
IRWSS	Integrated Rural Water Supply & Sanitation Project (<i>the Netherlands</i>)
JFM	Joint Forestry Management
JFMP	Joint Forest Management and Planning (<i>United Kingdom</i>)
JRY	Jawahar Rozgar Yojana
KAWAD	Karnataka Watershed Development Project (<i>United Kingdom</i>)
KfW	Kreditanstalt für Wiederaufbau (<i>Germany</i>)
KIWMP	Karnataka Integrated Watershed Management Project (<i>Germany</i>)
KWDP	Karnataka Watershed Development Project (<i>Denmark</i>)
LVAW	Lady Village Agricultural Worker
MNP	Minimum Needs Programme
NFTP	Non Forest Timber Products
NGO	Non-Governmental Organisation
NGDO	Non-Governmental Development Organisation
NIRPHAD	Naujil Integrated Project for Health and Development
NORAD	Norwegian Agency for Development Cooperation
NREP	National Rural Employment Programme
oda	Official Development Assistance
ODA	Overseas Development Agency (<i>United Kingdom</i>)
OECD	Organisation for Economic Cooperation and Development
OLIP	Orissa Lift Irrigation Project (<i>Germany</i>)
O&M	Operation & Maintenance
OOF	Other Official Flows
OPEC	Oil Producing and Exporting Countries
PAG	Project Advisory Group
PAP	Poverty Alleviation Programme
PHCC	Palani Hills Conservation Council
RLEGP	Rural Landless Employment Guarantee Programme
PR	Poverty Reduction
PRA	Participatory Rural Appraisal
PRI	Panchayati Raj Institutions
PSC	Project Steering Committee
PSU	Programme Support Unit
RDO	Rural Development Organisation
RD&PR	Department of Rural Development and Panchayati Raj
RPDS	Revamped Public Distribution Scheme
Rs	Rupees
RWS/S	Rural Water Supply/Sanitation
SCs	Scheduled Castes
SDT	Slum Development Team
SHARE	Self Help Association for Rural Education and Employment
SHF	Self Help Fund
SHG	Self Help Group
Sida	Swedish International Development Agency
SP	Special Project
STs	Scheduled Tribes
TEWA	Training and Extension for Women in Agriculture (<i>Denmark</i>)
TIPP-II	Tungabhadra Irrigation Pilot Project – second phase (<i>the Netherlands</i>)

TN	Tamil Nadu
TRP	Tank Rehabilitation Project (<i>European Union</i>)
TRYSEM	Training of Rural Youth for Self-Employment
UCD	Urban Community Development
UN	United Nations
UNDP	United Nations Development Programme
UP	Uttar Pradesh
UT	Union Territory
VISP	Visakhapatnam Slum Improvement Project (<i>United Kingdom</i>)
WID	Women In Development
WUAs	Water Users Associations
WYTEP	Women and Youth Training and Extension Project (<i>Denmark</i>)

Introduction

There is a peculiar dearth of studies on the role of aid in India. To the extent that there are studies, the academic as well as the political debate focuses primarily on the role of the international financial institutions, the World Bank and the IMF – and in particular such controversial issues as conditionalities and sanctions. In contrast neither the aid from UN agencies nor the aid from bilateral donors is hardly ever subjected to analysis or debate. One reason for this obviously is that aid only plays a marginal role in the Indian economy. But that is not the same as saying that aid is unimportant or irrelevant for India's development. Apart from its macroeconomic effect, aid often plays a vital role in certain sectors and localities, providing much needed resources for productive activities or basic social services. In spite of this there are few well-documented studies of the role of aid. Lipton & Toye's '*Does Aid Work in India?*' from 1990 still stands out as the only authoritative book. Our study of six European donors' development cooperation with India aims at partly filling the void. While Lipton and Toye's study in particular focuses on the macroeconomic effects of aid, our study is more focused on donor strategies and approaches as well as on analysis of a large number of European funded projects and programmes. The main question is: to what extent does the aid from European donors contribute to what is seen as India's overriding development concern, namely poverty reduction.

The India study has been carried out by Aidan Cox, Overseas Development Institute, London, Lau Schulpen, Third World Centre, Catholic University, Nijmegen, Steen Folke (study coordinator) and Neil Webster, both from Centre for Development Research, Copenhagen – in collaboration with eleven Indian researchers, namely: Dr. (Ms.) S. Banerjee, Consultant, Delhi; Dr. S. Benjamin, Consultant, Bangalore; Dr. (Ms.) Kripa A.P., Consultant, Mysore; Dr. D. Manti, Institute of Rural Studies and Administration, Guntur; Dr. K.N. Ninan, Institute for Social and Economic Change, Bangalore; Prof. M.A. Oommen, Institute of Social Sciences, Delhi; Ms. Rajamma G., Consultant, Secunderabad; Dr. D. Rajasekhar, Institute for Social and Economic Change, Bangalore; Dr. Somasekhara Reddy, Indian Institute of Management, Bangalore; Dr. R.S. Srivastava, Department of Economics, University of Allahabad; Dr. N.V. Varghese, National Institute of Educational Planning and Administration, Delhi.

The aim of the India study is to investigate the effectiveness of aid from the European Commission and selected EU-countries in contributing to poverty reduction. By poverty reduction we do not just mean improvement in income or consumption of the poor, but also amelioration of the conditions that are important for such improvement (e.g. health, education). We have conceptualised poverty reduction as a multi-dimensional phenomenon which involves changes in livelihoods, resources, knowledge and rights. We have selected six donors who have in common that they want to strengthen the poverty orientation of their development assistance, namely the European Commission, Denmark, Germany, The Netherlands, Sweden and United Kingdom. Among EU countries these donors, incidentally, are the most important in terms of the volume of aid they provide to India (among the remaining EU countries only France really matters). The study has assessed the donor strategies, the donor-recipient dialogue, the recipient's perception of aid as well as the effectiveness in terms of poverty reduction of the programmes as such and a number of selected interventions in nine different 'sectors': watershed, irrigation, forestry, drinking water, primary health, primary education, women's training, urban housing and self-help projects (NGO-supported). In each sector 3–5 projects supported by one or the other of the EU-donors have been selected and assessed from a poverty perspective. Most of the 33 projects under study are found in Uttar Pradesh, Orissa, Andhra Pradesh, Karnataka and Tamil Nadu, but one project is located in Madhya Pradesh, one in Rajasthan and one in Kerala.

The study was prepared in the autumn of 1996 and field work was carried out in the first half of 1997. In January the researchers involved held a planning-cum-methodology workshop in Delhi, and a second workshop, where preliminary results from field work were discussed, was held in Delhi in April. Most of the Indian researchers involved have spent 1.5–2 months working on the project. Half of that time has generally been spent in the field, assessing the selected 3–4 projects in a particular sector, i.e. roughly one week per project (incl. travel time). This has resulted in nine ‘sector reports’, containing analysis and assessment of the projects as well as comments about the relevance of the aid to that particular sector. The sector reports have been written by the following: K.N. Ninan: Watershed; Somasekhara Reddy: Irrigation; Kripa A.P.: Forestry; D. Manti: Drinking water; S. Banerjee: Primary health; N.V. Varghese: Primary education; Rajamma G.: Women’s training; S. Benjamin: Urban housing; D. Rajasekhar: Self-help (NGOs).

Two further studies were also carried out. R.S. Srivastava has written a report entitled ‘Poverty in India: A review of Nature, Trends and Eradication Strategies’. M.N. Oommen has written a report entitled ‘Foreign Aid and Poverty Reduction. Towards Understanding the Indian Perspective’. We want to take the opportunity to thank all our Indian colleagues and collaborators for their enthusiasm during the research project and their invaluable contributions to the results.

The four European researchers involved in the project have planned the research in December 1996–January 1997, carried out field work in March–May 1997 and prepared the consolidated report afterwards. Apart from visits to projects our main task during field work has been interviewing numerous persons engaged in the aid administration either on donor or recipient side. These include a number of staff members in the embassies and aid agencies in Delhi, officers both in the Ministry of Finance and in the line ministries and other government institutions in Delhi as well as a number of government officers in the five states where almost all the projects are located, i.e. Uttar Pradesh, Orissa, Andhra Pradesh, Karnataka and Tamil Nadu. We thank all those interviewed for their readiness to use their time and share their experiences and views with us.

An incomplete draft version of this report was prepared in 1997 and presented and discussed in three well-attended meetings in New Delhi in September 1997, one with Government officials, one with donor representatives and one with staff members of a range of multilateral donor agencies (organised by the UNDP). The many valuable comments we received during those meetings have informed the final version of our report.

Since the research was undertaken in India in 1997, Sweden, Denmark, Germany and the Netherlands have imposed sanctions by freezing or cutting back their aid to India after the nuclear bomb tests in May 1998. The UK and the EU – although protesting verbally – have adopted a ‘business as usual’ attitude in terms of the aid. None of the donors, however, has opted out of India, so the projects and programmes studied here are still very much at the heart of the aid from EU donors for poverty reduction in India. There remains a shared hope among the EU countries that the Government of India will adopt policies (e.g. by signing the Comprehensive Test Ban Treaty) that will enable them to resume aid at full scale.

It is our sincere hope that this study will contribute to strengthening the poverty reduction objective in interventions in the various sectors dealt with – whether or not these interventions are supported by foreign donors. But of course we hope especially that the donors whose programmes we have studied will find inspiration in their endeavours to strengthen the poverty orientation of their aid.

London, Copenhagen and Nijmegen, March 2000

Aidan Cox, Steen Folke, Lau Schulpen, and Neil Webster

1. Poverty in India

1.1 The poverty situation

In the first three decades after independence the rate of growth of the Indian economy was fairly low, around 3.5% per year on average, mockingly referred to as the 'hindu rate of growth'. This rate was enough to be slightly ahead of population growth, but not enough to make a significant dent in widespread poverty. In the 1980s, when liberalisation was initiated and combined with expansionary fiscal policies, the growth rate picked up and exceeded 5% for a number of years. The expansionary policies, however, resulted in growing fiscal deficits that became the main factor engendering the economic crisis of 1990–91 (Parikh, ed., 1997:3). After the introduction in 1991 of the New Economic Policy the growth rate has again exceeded 5% in most years, and now it is being debated whether this growth rate will be sustainable into the next century. In terms of growth per capita it helps that population growth has been decreasing – from 2.3% per year in the 1960s to 2.1% in the 1980s (Haq, 1997:150) and probably as low as 1.6% in the period 1994–2000 (UNDP, 1997a:195).

Economic growth in itself, however, though necessary, is not sufficient to ensure poverty reduction. The distribution of growth is decisive, and it is well known that in India the distribution has been highly unequal. In the rural parts, where the vast majority live and where the bulk of poverty is found, growth has been slow. In terms of growth rates, agriculture has generally lagged behind manufacturing industry and services. The green revolution of the 1960s and 1970s did produce markedly higher yields and incomes in regions with access to irrigation. It also resulted in greater differences between rich and poor farmers and between regions with extensive irrigation (e.g. Punjab-Haryana) and regions dependent on rainfed agriculture. The high growth rates in the 1980s and 1990s have primarily been in the secondary and tertiary sectors and have first of all benefited people in the urban areas, not least the rapidly growing middle class. Again inequalities are on the increase.

There is a vast literature about poverty in India, but no agreement about the answer to a very basic question like: What is poverty? How many poor are there (now and before)? In this study we used a broad concept of poverty, embodying four dimensions, livelihoods, resources, knowledge and rights (cf Section 3.1). In India, however, poverty is usually thought of in economic terms, i.e. focusing on income and consumption. The poverty line is defined as a minimum level of per capita household consumption expenditure (based on a calorie norm of 2400 cal per person in rural and 2100 cal per person in urban areas). The head count method simply identifies the number of people falling below this line. In principle this is very simple, but in practice there are a number of technical problems involved (e.g. adjustment for price variations) with the consequence that even overall figures of the number of poor may vary considerably. The technical problems were sorted out by an Expert Group, headed by D.T. Lakdawala, which in 1993 recommended new procedures for estimating the number of poor (cf Srivastava, 1997:3–5, World Bank, 1997: 41–42).

There has been a marked reduction in Indian poverty since the 1970s. A little over half (53%) of the population fell below the poverty line in the early 1950s (1950–55) as well as in the early 1970s (1970–74). But since then there has been a significant decline with the head count index falling to 37.8% in 1991–92 (Srivastava, 1997:5) and 36.3% in 1993–94 (World Bank, 1997:3). There is an ongoing debate over whether the New Economic Policy since 1991 has resulted in an increase in the aggregate poverty, but the figures are inconclusive. In 1992 a significant increase in poverty was measured, but the extent to which this can be ascribed to the macroeconomic stabilisation measures is uncertain (Datt & Ravallion, 1996a).

In terms of absolute figures the number of poor people has doubled since India's independence, from 164m in 1951 to 312m in 1993–94 (World Bank, 1997:xiii). It is often stated that there are more poor people in India than in the whole of Africa. Most of India's poor live in the rural areas, 241m (77%) out of 312 m by 1993–94, and the poverty tends to be more severe in the rural areas (World Bank, 1997:3). There are also marked regional differences in the extent of poverty. A contiguous belt of northern states, namely Assam, West Bengal, Orissa, Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan, have the highest poverty incidence, i.e. the highest proportion of the population living below the poverty line. At the other end of the scale are Haryana and Punjab, Gujarat, Andhra Pradesh, and Kerala (World Bank, 1997:8–9).

A broader concept of poverty includes factors other than purely economic. To be poor is defined in this study as being denied or having only limited, access to resources, knowledge and rights and being deprived on the whole of an adequate livelihood. Poverty is also about vulnerability and lack of the capabilities necessary to cope with crises, whether externally (e.g. drought) or internally (e.g. death of family member) induced (cf Drèze & Sen, 1989, 1995). Hence poor health and lack of basic education are important dimensions in our concept of poverty. As a corollary poverty reduction encompasses not only improvements in income and consumption, but also improvements of the coping capabilities through human resource development (cf Section 3.2).

UNDP (1997b:7) lists a number of examples of deprivation of basic human and social needs in India: more than half of all children under four years are undernourished, more than 2 m infants die every year from preventable causes, only 45% of the rural population is covered by sanitation facilities, 61% of women were illiterate by 1991, 36% of children drop out before completing primary school etc. These depressing facts are important aspects of contemporary poverty in India. It goes without saying that human and social deprivation in the broader sense is closely linked to economic poverty in the narrow sense. But they are distinct aspects of our understanding of poverty.

Who are the poor then? There is a concentration of poor among certain social categories. According to a human development profile from 1996 (World Bank, 1997:10) the incidence of poverty was 52% for the landless as a whole, 68% for landless wage-earners, 50% for members of the scheduled castes, 51% for members of the scheduled tribes and 5% for households where all members were illiterate.

There is an important gender dimension in poverty and human deprivation. 47% of female-headed households in rural areas are poor (Srivastava, 1997:12). 66% of women are illiterate compared to 38% of men. In contrast to virtually all other countries of the World even the sex ratio in India is skewed in favour of men. The 1991 census revealed a sex ratio of 927 women per thousand men and the 'deficit' of women has been growing from decade to decade; the ratio was 972 per thousand in 1901 (Srivastava, 1997:13). This figure tells perhaps more than any other figure about the plight of women in India. A gender-related development index (highlighting inequalities between men and women) for Indian states (1991–92) shows a great deal of regional variation. At the top is Kerala, followed by Maharashtra and Gujarat, while at the bottom is Uttar Pradesh, followed by Bihar, Rajasthan, Madhya Pradesh and Orissa (here based on Srivastava, 1997:14). The pattern is clearly similar to the regional variation in poverty.

Thus class (e.g. landless labourers), caste (e.g. scheduled castes) and gender (women) are some of the main indicators of who the poor are in India. When it comes to the causes of poverty it is evident that these are often complex. People's actions and coping strategies are influenced both by structural factors, by their individual capabilities and by the (natural and other) resources they can access.

Since 65% of the total labour force – and almost 90% in the rural parts of India – is engaged in agriculture (1991 Census), it is clear that the conditions for and within agriculture play a decisive role for the livelihood of a majority. It is no surprise that poverty is more widespread in regions dominated by rainfed agriculture than those with extensive irrigation. Among the former, the semi-arid regions that are drought-prone make people's livelihoods particularly vulnerable. But everywhere the access to productive resources, notably land and water, is a key determinant of the distribution of wealth and poverty. It has already been noted that landless labourers are over-represented among the poor. Among the agricultural labourers, it may be added, there is an over-representation of scheduled castes. Small and marginal farmers also constitute a fair share of the poor. Evidently medium and bigger farmers tend to be better off. Usually access to productive resources not only entails higher income, better housing and clothing etc., but also better access to credit, education and health services. There is a whole virtuous circle which contrasts with the vicious circle of low income, debt, inadequate diet, poor health, illiteracy etc., that the poor find themselves trapped in.

Apart from many agricultural labourers and small and marginal farmers, there are many poor among artisans and craftsmen in the rural areas. In the urban areas poverty is widespread among people in the informal sector, as petty retail vendors, casual labourers etc. Many have migrated from the countryside in search of gainful employment, but end up being underemployed and underpaid in the informal part of the urban economy. Invariably the poor also end up in the extensive urban slums.

Thus the occupational status of the working members of a household is a main determinant of poverty. But the division between the haves and the have-nots is not just a matter of economic status. It is reinforced by social status which – at least in the rural parts – is largely determined by position in the caste hierarchy. And economic and social status in turn form the basis for political power of the well to do. This can be used to bolster vested interests and preserve the status quo. In the Indian villages there is a local power structure generally dominated by the bigger farmers, upper castes and men. The class, caste and gender dimensions of power must also be dealt with in any attempt to support the poor in their struggle for a better life.

1.2 Indian strategies and policies on poverty reduction

The concern of the state with poverty reduction goes back to the beginning of planned economic development (1951). In the beginning, the main thrust of the state was to accelerate growth and to give the (rural) poor a stake in the growth process through sufficiently radical redistributive measures aimed at abolishing landed intermediaries, providing land to landless through land ownership, redistribution and secure tenures. The patchy record of land reform in India is sufficiently well documented. At the same time, the literature on poverty in the early decades reflects growing disappointment with the 'trickle down' effects of the growth process. With the adoption of the 'new agricultural strategy' in the 1960s, the inegalitarian and immiserising effects of agricultural growth raised new concerns about poverty, which were compounded by break-down of the political consensus around the Congress party and sweeping waves of disenchantment among the rural and urban poor and middle classes (1967–75). The containment of poverty and inequality acquired important political overtones for the government of the day.

The failures of the 'trickle down theory' with regard to poverty reduction led to the realisation that specific measures had to be taken to address the problems of poverty more directly. In 1962 the Planning Commission issued a paper which 'drew attention for the first time to the problem of abject poverty and quantified its magnitude' (Gaika, 1991:129). A development plan was prepared

aimed at meeting the basic needs of the total population. Important parts of this plan were land reforms, reservation and special schemes for scheduled castes and tribes, employment schemes, support schemes for small and marginal farmers, and a nationalisation of financial institutions to control investments and credit. Since the Fourth Plan (1969–74), the state put into effect a number of programmes attempting to bring petty cultivators in hitherto neglected regions into the ambit of the new agricultural strategy. Simultaneously programmes to provide employment for the landless poor were started. The Fifth Plan (1974–78) continued these initiatives around the populist slogan of ‘garibi hatao’ (eradicate poverty) and introduced the Minimum Needs Programme and the ‘twenty-point programme’ which contained an amalgam of measures aimed at redistributive (land reforms, debt relief and abolition of bonded labour) and growth-promoting measures for the poor.

Direct poverty alleviation strategies have been put on a new footing since 1978. The Integrated Rural Development Programme (IRDP) consisting of an integrated approach to promoting asset creation and self-employment among the rural poor was launched in 1979. Two major programmes (the National Rural Employment Programme (NREP) and later the Rural Landless Employment Guarantee Programme (RLEGP)), representing a more coherent approach towards employment creation were merged in 1989 into the Jawahar Rozgar Yojana (JRY).

Since 1993–94, a number of new initiatives have been taken to provide a safety net for the poor through programmes specially targeted at backward districts or ‘blocks’ with a high concentration of the rural poor. These include the new employment schemes, namely the Intensive Jawahar Rozgar Yojana (IJRY) and the Employment Assurance Scheme (EAS). A Revamped Public Distribution Scheme (RPDS) was earlier launched in 1758 backward blocks in 1992, and has been extended to the 2446 blocks in which the EAS is operational. The Scheme provides for an additional subsidy of Rs. 50 per quintal of food grain over the issue price (for a discussion on the Public Distribution System, see: World Bank, 1997: 26–29). A National Social Assistance Programme (NSAP) comprising a pension scheme for the old, maternity benefit and family benefit to cover the natural and accidental death of the bread-winner, was introduced in 1995–96. Further, the central government’s budgetary support to the social sector has been stepped up. In the sphere of primary education, externally aided programmes to improve the educational infrastructure are being implemented in many of the educationally backward districts. At the same time, while pressures on the fiscal situation continue, an effort is being made to increase the level of investment in agriculture and rural infrastructure which is potentially important for poverty reduction. Since 1996–97, new initiatives to alleviate poverty include (i) a concerted focus on provision of seven identified basic needs; (ii) announcement of a scheme for provision of 10 kg of cereals per month at half the market price to all families below the poverty line, and (iii). efforts to launch a Maharashtra-type Employment Guarantee Scheme at the national level.

Many of the Poverty Alleviation Programmes (PAPs) are implemented by the Ministry of Rural Development but several other ministries, such as the Ministry of Social Welfare and the Human Resource Development Ministry, are also involved. Simultaneously, the ‘normal’ design and implementation structure for PAPs is characterised by a ‘top-down’ approach through hierarchically structured bureaucracies with a close nexus with powerful groups in society (see below). The almost exclusive reliance on the bureaucracy to fight poverty was, however, already in the 1950s shown to go hand in hand with elite domination, politicisation, corruption, malpractices and favouritism (Khanna, 1994). This insight led to a call for what is known as democratic decentralisation, in which the role of participatory approaches and people’s mobilisation in the elimination of poverty is emphasized. The main concern here is three-fold. First, ‘top-down’ and standardised approaches to poverty alleviation are often based on a flimsy and incorrect understanding of people’s priorities and interlinkage between these. Second, such approaches ultimately rest on hierarchical delivery systems and power groups, and the poor remain literally at the receiving end. Third, inefficiencies

and leakages are built into the system since the 'dispensers' of the programme are not its beneficiaries. On the other hand, the mobilisation of the poor around common concerns realigns power balances and this is important since poverty is also a 'relation', and their participation leads to better programme design and 'ownership' (which raises efficiency and reduces leakages).

Despite the wide range of programmes and the different spheres of poverty that they touch, there are three types of criticism which can be made with respect to the Indian PAPs. The first, is a non-holistic or piecemeal approach separately managed by different departments of the government. In the Seventh Plan it was mentioned that 'the total impact of the programme depends on the degree to which the different poverty alleviation programmes [...] are integrated with one another and with the overall development of the area'. The necessity of an integrated approach, in which there is a clear coordination between the different programmes set up to tackle poverty, is indeed one of the major hurdles encountered. As the Eighth Plan noted: 'there is a need for integrating the various anti-poverty programmes with the sectoral programmes in a specified area so as to ensure a sustainable increase in employment and income of the rural poor and the infrastructural and environmental development of the area' (Government of India, 1992: 37).

The second general criticism refers to the fact that the programmes have been expenditure-oriented: funds available had to be disbursed without sufficient attention being paid to, among other things, coordination of activities, backward and forward linkages, follow-up and the needs of the target group. The latter issue leads us to the third point of criticism: 'the people, the rural populace in particular, have also been excluded from participation in the planning or decision-making process, even in matters which concern them (and their habitat) directly' (Ghosh, 1992: 31). The consequence of this non-participation has been that the government has relied almost exclusively on the official machinery (i.e. the bureaucracy) to fight poverty.

As a consequence of the above-mentioned (and other) weaknesses, many of the PAPs have at best had a limited success. With regard to the IRDP, Rath (1985) pointed out that leaving aside selection of beneficiaries who were above the poverty line in the first place, 18.7% of beneficiary households or about 6.6% rural households crossed the poverty line during 1978–85. However, if loan repayments are also deducted as a cost, the percentage of rural households crossing the poverty line comes down to three. The success of the Development of Women and Children in Rural Areas programme (DWCRA) rests critically on linkages and facilitation which are not easily achieved in the governmental delivery system. The impact of the Jawahar Rozgar Yojana employment scheme has been shown to be modest. Micro studies revealed high leakage, a much lower wage labour component than stipulated and negligible role of the village assembly and village councils in project planning and supervision (also see Srivastava, 1997: 23–38).

In a recent publication, the World Bank (1997) identifies a number of causes for the sometimes low impact of the Indian anti-poverty programmes. A distinction is made between causes which are amenable to change and causes which are not. Thus 'the problems that the programs are designed to address [...] are too massive to be resolved through public resources allocated to these programs, however efficient the use of these resources is'. Also many anti-poverty programmes have become highly 'politicised' (i.e. used by politicians and parties for their own purposes and patronage rather than necessarily to assist those poor for which they are ostensibly designed). 'India's complex socio-political environment then makes it very difficult to change existing programs'. The causes 'amenable to change' mentioned by the World Bank include (i) poor definition of objectives and existence of multiple objectives; (ii) little effort in direct targeting of beneficiaries and no consistent definition to identify intended beneficiaries; (iii) lack of adequate resources (e.g. programmes are underfunded, workers underpaid, undertrained and poorly motivated); (iv) highly centralised programme administration and inadequate coordination between agencies involved; (v) high

administrative costs including high leakages and corruption; and (vi) the impact of the programmes is judged too often solely on the basis of fulfilling predetermined physical targets.

In sum: an evaluation of existing direct anti-poverty programmes and social services confirms leakages and inefficiencies in the governmental delivery system. The performance of these programmes varies across regions and is the worst in regions where poverty is concentrated. There are major questions with regard to channeling investment in these programmes towards investment in infrastructure and agriculture, and the relative efficacy of some of the major programmes (asset creation versus employment creation, protective versus promotional social security), as well as questions relating to the design of each of these programmes. While employment generation programmes can (up to a point) be geared towards creation of productive infrastructure, this has not always happened. On the other hand, the absorption of IRDP loans is clearly lowest in backward regions and among the poorest groups. On the whole, direct strategies for poverty alleviation have probably mitigated poverty and risk of vulnerability to some extent, but with low efficiency, variable across regions. According to UNDP (1997b), 'India's anti-poverty strategy could have reduced income poverty even more with better management, accountability, transparency and community involvement at all levels' and it calls for a focus on five important issues relevant to human development: (i) imbalances in investment; (ii) impact of social expenditure; (iii) decentralisation of development responsibilities; (iv) convergence in programmes and action; and (v) accountability for use of public resources. Within this, development assistance has a facilitating role to play and it is to the external partners of India that we turn in the next chapter.

2. Aid to India

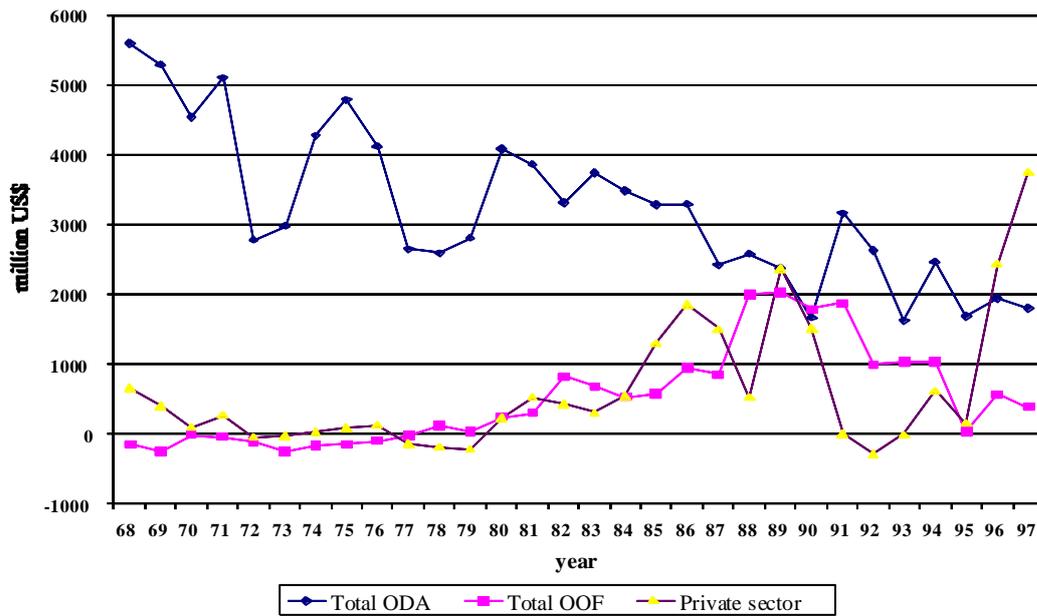
2.1 Scale and sources of aid

For some countries, development aid is an important source of financing. This particularly holds for many African countries where aid may finance up to 70–80% of national investment. In India, however, development aid plays – certainly in quantitative terms – only a marginal role. Although aid used to contribute somewhat more to the total Indian budget in the 1960s, it has been reduced to a very small percentage of the total budget in the 1980s and 1990s. This does not mean that development aid is not important. It is important for India, although perhaps more as a political sign. It is important for some of the states in India where aid continues to play a substantial part in their annual budgets. It is important for the donor, either for political, economic, humanitarian or geo-strategic reasons. Whether it is also important for the poor in India will be dealt with in another part of this book. In this chapter we will look into the quantitative background of development aid to India.*

Figure 2.1 clearly shows that over the period 1969–97, most net Official Development Finance was Official Development Assistance (oda) or concessional aid. It is only from the mid 1980s onwards that private sector investments and the other official flows (OOF) increased temporarily and then again revived in the later 1990s.

* Unless otherwise stated, all figures are expressed in 1996 US\$.

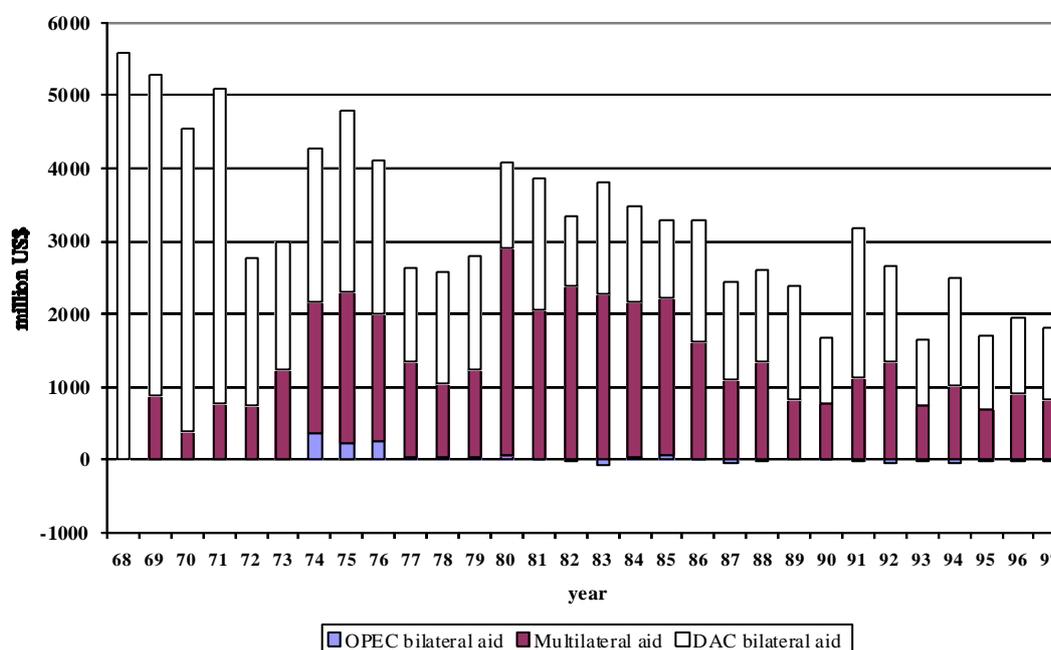
Figure 2.1 Official development finance (oda + OOF + private sector), 1968–97 (in 1996 US\$)



Source: own calculations based on OECD

Over the period 1968–97, India received in total US\$ 96,852m of net oda. Of this sum, 0.9% came from OPEC countries, 40.7% from multilateral organisations and the remaining 58.4% from bilateral DAC donors. Figure 2.2 shows the net oda disbursements per group of donors for the period 1968–97. The figure clearly shows that OPEC only provided aid at any substantial amount in the years following the oil price hike of the early 1970s. It is further clear that there has been a substantial change in the share of bilateral and multilateral aid to total aid. In 1969, more than 83% of all net oda to India came from bilateral DAC donors, while the remaining nearly 17% came from multilateral sources. Slowly, the share of multilateral aid increased and in 1980, 71.5% of all net oda to India came from these multilateral sources. From 1980 to 1987, multilateral aid remained larger than bilateral aid. With a few exceptions, bilateral aid again became larger after 1987. One other important conclusion to be drawn from figure. 2.2 is that total aid to India has shown an almost constant decline, particularly from the late 1970s onwards. During the 1970s, the average annual net oda disbursements from all sources to India were US\$ 3,660m. During the 1980s, the average oda disbursements were US\$ 3442m and over the period 1990–97, the average oda disbursements were down to US\$ 2120m.

Figure 2.2 Net oda to India from bilateral DAC donors, multilateral organisations and OPEC countries, 1968–97 (in 1996 US\$)



Source: own calculations based on OECD

The major multilateral donor for India is the soft-loan window of the World Bank: IDA contributing nearly 75% 1968–97. The IBRD and the UN provided funds to India also. Within the United Nations (UN) organisations, the UNDP is by far the major donor. The European Union (EU), contributed 8% of all multilateral net oda to India's development.

Aid from the European Union) and the bilateral aid of individual European donor countries together form 30% of all net oda to India over 1968–97. The share of this European aid has fluctuated from 16% to slightly more than 48%. Within bilateral DAC aid, the EU donors contribution rose from only 19% of all bilateral DAC aid in 1969 to 52 % three years later and their share remained high for most years until the 1990s when it fell. In 1994, only 29% of all bilateral oda from DAC

countries came from EU donors. This was mainly due to a substantial increase in the aid from Japan. Japan's net oda to India totalled 24% of all bilateral DAC aid over the period 1968–97. Other non-European bilateral donors that have played an important role (quantitative-wise) in aid disbursements to India include the United States (15%) and Canada (6%).

Table 2.1: Net oda from bilateral EU donors and the European Union (EU) to India (in million 1996\$)

Years	1968–73		1974–79		1980–85	
1	UK	2636.7	UK	2557.9	UK	1649.0
2	Germany	1854.0	Germany	1189.8	Germany	1184.2
3	France	509.5	Sweden	1009.1	EU	1143.4
4	Netherlands	394.2	Netherlands	1007.8	Netherlands	1079.9
5	Sweden	251.3	EU	738.6	Sweden	620.4
6	EU	217.7	France	441.2	France	418.2
7	Belgium	136.0	Denmark	183.2	Denmark	324.6
8	Denmark	102.6	Belgium	162.0	Belgium	59.7
9	Italy	92.9	Italy	37.4	Austria	41.8
10	Austria	40.5	Austria	34.6	Italy	29.1
Total		6240.1		7363.4		6554.4
Years	1986–91		1992–97		1968–97	
1	Germany	1337.3	Germany	874.1	UK	8578.2
2	UK	921.0	UK	813.7	Germany	6439.4
3	Netherlands	908.1	EU	448.8	Netherlands	3763.2
4	EU	710.6	Netherlands	373.4	EU	3259.0
5	Sweden	686.1	Sweden	368.1	Sweden	2935.0
6	France	559.4	Denmark	200.3	France	2086.9
7	Italy	337.9	France	158.8	Denmark	1132.6
8	Denmark	322.2	Finland	14.4	Italy	480.2
9	Spain	57.9	Spain	10.8	Belgium	334.0
10	Austria	24.8	Luxembourg	9.2	Austria	127.7
Total		5868.6		3231.1		29,255.7

Source: Own calculation based on OECD (several years).

Note: Total refers to total net oda from all bilateral EU donors (i.e. France, Germany, the Netherlands, the United Kingdom, Sweden, Austria, Belgium, Denmark, Finland, Ireland, Italy, Luxembourg, Portugal and Spain) plus the European Union.

Among the European bilateral donors, six donors together have provided the bulk of European aid to India: The United Kingdom (29% of all bilateral EU aid), Germany (22.0%), the Netherlands (13%), Sweden (10%), France (7.%) and Denmark (4%). Except for France, these are the donors examined in this study. Together these six donors provided 85% of all bilateral aid from EU countries over the period 1968–97. Table 2.1 provides an overview of the major (bilateral) EU donors for India for selected years. The most important change over the entire period in Germany becoming the major bilateral donor to India in place of the United Kingdom (although this reversed again in 1996–97). For the rest there have been no major changes between the different periods distinguished.

Over the period 1980–92, India only managed to utilise 61% of all aid grants and loans committed by the international donor community due to, among other things, the inefficiency of executing agencies and/or the difficulties in arranging local cost financing (see Oommen 1997: 12–13). In the meantime, the Indian government has announced several measures to speed up disbursements. One of the most important ones being a change to the system under which aid allocations were

forwarded to the states following the plan allocation formula of 70% loans and 30% grants. Disbursing aid to the states on the same (concessional) terms on which the assistance has been received by the Government of India is expected to enhance aid utilisation, as are the plans of a 25% advance and the setting up of a Project Management Unit within the Finance Ministry.

Utilisation figures are higher for grants (about 40%) compared to loans. There are substantial differences in the grant-loan division of net oda to India among EU members. Over the last couple of years, four of the five bilateral EU donors central to this study have provided their entire net annual oda as a grant: the United Kingdom since 1976, Sweden since 1978, Denmark in 1975 and 1976 and since 1990, and the Netherlands since 1992. Only Germany still provides a substantial amount of their annual net oda as a loan to the Indian government.

2.2 The role of donors in poverty reduction

There is no commonly agreed strategy for poverty reduction. The pursuit of economic growth in itself, though necessary, is inadequate. The last fifteen years of Indian development have witnessed a fair amount of economic growth, but it is clear that the middle and upper classes have captured a disproportionate share of the benefits of that growth. Although there has been some poverty reduction, it is evident that a better (re) distribution is needed.

The success stories among Indian states regarding poverty reduction are Punjab-Haryana and Kerala. Datt and Ravallion (1996b) on the basis of a quantitative analysis argue that there are two routes to rural poverty reduction in India. The first is through (farm and non-farm) economic growth, of which Punjab-Haryana is the prime example. The second is through human resource development, with Kerala as the prime example. Although there may be an element of truth in this interpretation, we prefer to view economic growth and human resource development as closely interlinked and both vital for poverty reduction. In order to reduce poverty economic growth must be pro-poor, and this entails both employment, asset creation and improving capabilities of poor people, i.e. human resource development.

Bearing in mind the distribution of poverty in India there is a special need for donors to focus on rural areas, particularly those that are dominated by rainfed agriculture, and more generally those that are poorest, most backward and remote. Even within these areas special attention should be given to landless people, to scheduled castes and Tribes and to women. At the local level donor-supported interventions may assist landless people, marginal farmers or tenants in getting access to and defending claims on land. Such interventions exemplify a type of development assistance that has gained prominence in the 1990s, the main purpose of which is to establish conditions for the empowerment of groups of poor people. In terms of our conceptualisation of poverty, empowerment is related to resources and knowledge as well as rights. In practice development assistance aiming at empowering poor people puts emphasis on capacity building and institution building among groups of poor. This is likely to be contested by the rural power elites, but empowering the poor is at least as necessary for poverty reduction as employment or asset creation and service delivery.

3. Criteria for assessing aid for poverty reduction

In order to assess the strategies and policies of the different EU donors covered by this study, we present the dimensions of poverty which we use to approach poverty reduction and thereby the starting point for our assessment of the donors and their aid interventions. The case for targeting aid

interventions on the poor in order to achieve poverty reduction, the sensitivity to the gender dimensions for successfully addressing the needs of the poor (men and women) are then discussed. Then consideration is given to participatory approaches which have a potential for increasing aid effectiveness and impact and aspects of sustainability in interventions. Finally there are sections dealing with replicability of projects and programmes and monitoring and evaluation requirements.

3.1 Dimensions of poverty

Poverty reduction will only be as good as the conceptualisation of poverty which informs the way in which an aid intervention is identified, designed and implemented. Similarly, the assessment of the poverty reduction orientation in country strategies, programmes and projects; the evaluation of projects for poverty reduction; the assessment of their impact, are all heavily dependent upon the thinking on poverty, the definition of what constitutes poverty, the theoretical approaches that underwrite that definition, and the methodologies that they give rise to in investigating and monitoring the poverty condition (also see: Engberg-Pedersen, 1998).

In current research on poverty, two analytical approaches predominate, namely the objective assessment approach and the people's perception of poverty approach. These utilise markedly different methodologies to research poverty, reflecting quite different epistemologies within the social sciences. At the same time, it can be argued that they both have a tendency to reflect poverty in terms of specific conditions for which the poverty reduction aim would be to treat these. While the former might emphasise assets, available resources, consumption, income, the latter would identify and prioritise the needs of the poor quite differently, with the poor being active participants in the research.

There is recognition today of the need to ensure that research and policy on poverty goes beyond the condition of poverty and stresses more the processes at work as reflected in such terms as 'ill-being', 'powerlessness', and 'vulnerability' (Baulch 1996) The problem of poverty is raised in relational terms, not least in terms of the production of wealth. Poverty reduction requires changes in relations secured through changes in ownership, rights, knowledge, capacities etc. Such an approach must lead to a more complex conceptualisation of poverty in terms of the characteristics or dimensions to be included in the poverty matrix.

In identifying and designing a poverty reduction aid intervention, objective and perception-based assessments of poverty can be used to direct attention towards those with the problem of poverty; discussions of absolute and relative poverty should be the basis for deciding the desirable approach towards achieving poverty reduction; the more local analysis of vulnerabilities should enable a better needs analysis based upon an improved understanding as to the nature and dimensions of the problems that give rise to and reproduce poverty. In this way it should be possible to identify not only those who are poor today, but also those who could well be in poverty, possibly absolute poverty, tomorrow.

In order to assess the strategies and policies of the different EU donors covered by the India study, a conceptual approach towards poverty and poverty reduction has been adopted that stresses the multidimensional nature of poverty and which seeks to capture characteristics of poverty that reflect not only the poverty condition, but the processes that lie behind. In other words, the dimensions selected are designed to reflect a way of thinking about poverty rather than a check list against which to set the strategies, programmes and projects. Undoubtedly, there are other dimensions that might have been taken into account, but those described below are believed to be sufficiently

comprehensive to allow a balanced assessment of different donor approaches to and operationalisation of the poverty reduction objective (see ODA, 1995).

Four main dimensions have been identified:

First, **livelihoods** covers the condition of a household and the means by which it reproduces itself. It covers factors such as employment and work conditions, income-generating activities, food security, state of health, literacy/illiteracy, asset ownership.

Secondly, **resources** refers to the resources to which the household has access including health care, education, credit, land, clean drinking water and sanitation, social support networks etc.

Thirdly, **knowledge** refers to the different types of knowledge possessed and the ability to utilise and expand it, for example, literacy, health knowledge, legal, technical and managerial knowledge etc.

Finally **rights** refers to the rights possessed, whether as individuals, women, minority groups, tenants, workers etc.; it covers formal legal rights as well as traditional and customary rights.

It is a starting perspective of the study that donor country strategy papers, sector strategy papers and project documents should reflect the complexity of poverty and in particular the need to handle the processes that give rise to poverty in developing a strategy for poverty reduction. In the case of projects, from the identification through design, implementation and monitoring and assessment, poverty ought to be approached as multidimensional even when the project focuses on one specific condition in a particular sector.

3.2 Targeting the poor

The issue of whether or not and how to target the poor in development interventions (state-provided or donor-financed) is important for making judgements on the performance of the European aid agencies in the pursuit of effective poverty reduction. The need to target however, is contested in India and more generally.

In India targeted government programmes have a long history and many forms, e.g. the rural employment programmes, the rural integrated development programmes and a variety of basic needs programmes (housing, food provision, health etc.). In 1997 there was a heated controversy around the United Front Government's plan to transform the Public Distribution System into a more narrowly Targeted Public Distribution System, aimed at providing subsidised food to those below the poverty line (cf. *Frontline*, Oct. 31, 1997). At stake in the debate are both fiscal concerns, vested middle class interests and the scope for leakage in this or that system. The controversy demonstrates that the issue of targeting is not merely a technocratic question dealing with effectiveness and efficiency, but a highly politicised issue.

At a more general level there are good arguments both for and against targeting the poor (Besley and Kanbur, 1993, Bamberger and Aziz, 1993). The main rationale for targeting the poor in development interventions is the desire to utilise scarce resources in a way that gives priority to those who need it most. In open competition for access to resources the poor will generally lose out to economically and politically more powerful groups. The World Bank's poverty alleviation strategy has three main elements (World Bank, 1990, 1996): promoting economic opportunities for

the poor (labour-intensive growth), delivering social services to the poor (health, education) and providing safety nets for the poor (food subsidies, employment schemes etc.). The last can be seen as a case for targeting.

There are, however, a number of arguments against targeting the poor. First, it is not easy to define who are the poor, whether by income or consumption criteria or according to a broader notion of poverty (cf. Section 3.1). Second, even if the group of poor is well defined it is administratively demanding and hence costly to identify the households or individuals that belong to the group and ensure that they receive the benefits. Third, in spite of the best efforts to target the poor there will always be a certain amount of under-coverage, i.e. needy not being reached, as well as leakage, i.e. flow of resources to people who do not belong to the target group. Fourth, the political economy of targeting often implies that powerful groups with vested interests will object to targeting the poor and try to undermine such efforts. All these arguments have been used in favour of more universalist schemes.

In order to overcome some of the practical difficulties involved in targeting the poor, several approaches have been devised that use proxies to identify poor groups and individuals. These can either take the form of geographic or social targeting. In geographic targeting a given intervention is directed towards areas with a (more than average) concentration of poor people. This can be done at all geographic scales, e.g. by selecting poor states, districts, villages or hamlets. The problem in this approach is that although poverty in the geographic area targeted is above average, there is no guarantee that the better off people living in the area do not capture a disproportionate part of the benefits. At a macro-level Datt and Ravallion (1993) have argued that there is a potential for alleviating poverty through regional redistribution in India, but that the potential is quite modest. This result, however, is closely linked to the scale of their study which focuses on the states. In a different regional context Baker and Grosh (1994) have found that the outcome for locality level targeting is distinctly better than that for the state level. It is evident that localised interventions can be more precise in geographic targeting of the poor, e.g. through selection of poor hamlets.

In social targeting the intervention is directed towards an easily identifiable social category with a (more than average) concentration of poor people. Targeting women is an important example, although the rationale for this entails other considerations than incidence of poverty (cf Section 3.3). In an Indian context other social categories with a high concentration of poor people are landless agricultural labourers and scheduled castes (*dalits*) and scheduled tribes (*adivasis*).

A simple method to target the poor is by designing projects and programmes so that they become self-targeting. In India this has been done in employment programmes by setting the wage so low that only poor people would be interested in taking advantage of the programme (Besley and Kanbur, 1993). While this works well as a targeting mechanism it obviously has other drawbacks (foregone income and opportunity costs of time related to other work and household duties).

The perspective taken in this study is that donor-supported interventions should explore the scope for targeting the poor and that appropriate methods exist or can be devised. A donor addressing poverty should be expected logically, to draw upon its understanding of the nature of poverty, to identify who the poor are and design mechanisms for targeting as large a share as possible of an intervention's benefits towards them. This may necessitate the identification of the particular social, economic, and political dimensions that delineate the poor within a particular location, such as gender, minority status, occupation, landownership, religion etc. Even if poor groups are identified, project benefits are still likely to be captured by dominant groups unless special mechanisms are designed to target these groups, taking account of both supply – and demand – side aspects. The need and degree of targeting required, and the costs and benefits, vary from situation to situation.

In terms of targeting policy, we would expect to find evidence of practices such as:

- account taken of the existence/capability/willingness of institutions able to reach the poor;
- understanding the value of targeting benefits to the poor and of designing mechanisms to facilitate this;
- use of proxies to identify poor groups, e.g. geographical targeting of dry/backward/remote regions, poor states/districts/blocks/villages, or hamlets rather than main villages, or social targeting of landless labourers, scheduled castes and tribes or women;
- recognition that quite precise targeting is especially important in productive sectors as the poor are often asset-less, whereas targeting in social sectors may be necessary (such as demand-creation), but a looser form (using geographical proxies) may be acceptable;
- understanding that targeting involves trade-offs, including:
 - (i) reaching the poor vs the poorest (dilemmas in terms of effort needed, effectiveness, impact);
 - (ii) precision vs administrative unwieldiness;
 - (iii) preventing leakage to non-poor groups vs political acceptability to powerful groups.

3.3 Gender sensitivity

Since at least the mid-1980s most donors including the ones studied here, have paid increasing attention to gender aspects of development both at a strategic and a more practical level. The relationship between gender and poverty is well-researched, but also a contested topic (cf. Kabeer, ed., 1997). Not all women are poor, not all the poor are women – as Kabeer (1994a) has emphasised. Nevertheless, women in the poor countries of the South – including India – are on the average poorer than the men, disadvantaged both in terms of income, ownership and consumption (World Bank, 1991). In the words of Kabeer (1996:19): ‘Women are generally poorer than men because they lack the range of endowments and exchange entitlements which male members of their households tend to enjoy. They are less able than men to translate labour into income, income into choice and choice into personal well-being’. This in itself justifies the targeting of women in poverty reduction efforts. The ‘new poverty agenda’ launched by the World Bank, incorporates gender as an important dimension of poverty. There is a running debate over the ‘feminisation of poverty’ both in the North and the South and in particular over the status of female-headed households (Baden and Milward, 1996). In an Indian context female-headed households generally tend to be both poorer and more vulnerable; over 35% of households below the poverty line have been found to be headed by women (World Bank, 1995).

More recently the discourse – and to a lesser extent the practice – has moved from WID to ‘Gender and Development (GAD)’ (Razavi and Miller, 1995). WID has been criticised for its individualistic approach, overlooking the implications for women of structural inequalities in general and gender subordination in particular (Kabeer, 1994b). At the same time the approach has been translated into women-specific projects, often carried out in isolation from other development interventions. In contrast the GAD-concept is based on the premise that the relations between men and women, which are socially constructed, are central in the development process (Moser, 1993). Men and women play different roles in society, but their relations do not only consist of a gender division of labour. Since women are usually subordinated to men, the women’s needs should not be addressed in isolation, but in the context of the gender relations. Jackson (1996) has emphasised that gender subordination exists independent of poverty and has warned that there is a risk of subsuming women’s needs under poverty reduction.

With the move from WID to GAD there has been a shift away from women-specific projects towards mainstreaming gender concerns into all development activities. Development processes are gendered, and ideally this should be taken into account in the planning and execution of all development interventions. Gender analysis and gender planning have been developed as powerful tools for this purpose. Moser (1993) distinguishes between women's strategic and practical gender needs. Strategic gender needs are those needs that women identify because of their subordinate position to men. Practical gender needs are the needs women identify in their socially accepted roles. Donor-supported interventions may address practical as well as strategic needs. But it goes without saying that support for the strategic needs is more controversial because it aims at empowering women in a way that challenges the societal norms.

The perspective taken here, is that although there is no consensus about how to best deal with the gender aspects of poverty reduction, it is clear that throughout the project cycle account must be taken of the gender dimensions. It is expected that donors should explore the scope for addressing both the practical and strategic gender needs of women; both at the community and household levels.

In planning and implementing their interventions, donors would be expected to give consideration to the following factors:

- the disadvantaged position of women in terms of income, consumption and influence;
- the crucial role of women in production (agriculture, animal husbandry, crafts) and reproduction (child care, cooking, procuring water and firewood);
- targeting women where appropriate: material benefits, reducing labour burden, empowerment;
- mainstreaming gender considerations (taking account of male-female relations).

3.4 Participation

With the renewed attention to (direct) poverty reduction at the end of the 1980s, participation returned to the centre of development thinking. Participation, or the active involvement of people in the development process, is now regarded as one of the pillars for development. As such, the term is many times directly connected to such concepts as empowerment, democratisation, decentralisation and good governance. At the same time, the term participation has been used and misused by, among others, the donor community over the years without a clear understanding of what constitutes participation. For a clearer understanding of participation and its importance in development processes it is necessary to make a distinction between participation as a means and participation as an end.

The UNDP (1993: 21), by defining participation as close involvement of people in the 'economic, social, cultural and political processes that affect their lives', sees participation mainly as an end. As an end in itself, participation has the intrinsic merit of increasing self-esteem, confidence, and a sense of power and may thereby be viewed as a basic human need (Lane, 1995:183). As such, participation is indeed connected to the concept of empowerment defined here as 'a process of awareness and capacity building leading to greater participation, to greater decision-making power and control, and to transformative action' (Karl, 1995:14). Moreover, as an end, participation moves beyond and above the project level.

As a means, participation is equated with cooperation and incorporation into pre-determined activities. In the case of a development project or programme, the word participation is often centred 'in preparation, design, implementation, and evaluation' (Lineberry, 1989:3) but also strongly linked to the improvement of project effectiveness. People are stimulated to get involved in

implementation and maintenance because a voluntary contribution (in terms of labour and/or cash) from the target group is one of the most clear ways of creating a feeling of ownership and thus, fostering responsibility among the target group for the project. It is important to recognise that participation becomes mainly a management issue when viewed as a means: The lack of participation means that ‘decisions which underlie the development action have already been taken and government bureaucracy, in the process of implementation, invites the [...] population to endorse and to collaborate with the decisions taken’ (Oakley and Marsden, 1984:21).

It is exactly this lack of involvement in decision-making that distinguishes between participation as a means and participation as an end. For Chambers (1995), achieving participation is dependent on the reversal of power relations. He also clearly distinguishes three uses of participation in the development discourse: as ‘a cosmetic label, to make whatever is proposed look good,’ as ‘a coopting practice, to mobilise local labour and reduce costs,’ and as an empowering process to enable people ‘to do their own analysis, to take command, to gain in confidence, and to make their own decisions.’ The latter boils down to people having a say in those decisions that affect them, but it is precisely a lack of decision-making participation which is most difficult to counteract.

When talking about obstacles to participation or factors influencing participation, it is again important to note the difference between participation as a means and participation as an end. In the former case, obstacles can be found in project design and include such items as overly centralised planning. In the latter case, obstacles can be found in the existing power structure which often includes the legal system (in favour of those with the most political influence and economic clout), bureaucratic constraints (innumerable regulations and controls) and social norms (persistent prejudices). Participation as a means may involve obstacles associated with the operational procedures for the undertaken task. Participation as an end may involve obstacles associated with structural and institutional relationships at both the local and national levels (Oakley and Marsden, 1984:26, 29–30).

Despite rhetoric to the contrary, participation within development aid is still largely regarded as a means for improving project performance. In other words, many projects employ a participatory strategy with regard to the implementation of development projects and programmes but lack participation in the earlier decision-making and design stages. ‘When it comes to the practical implementation of development policy, international organisations invariably tend to put aside the ‘empowerment’ rhetoric and revert to traditional ‘beneficiary’ or ‘target group participation’ (Stiefel and Wolfe, 1994:225). The World Bank (1995a:7) argues that ‘extending the level of participation to relevant stakeholders can contribute to more sustainable programmes and broaden ownership and commitment’ and that ‘participation can make a large contribution to getting good projects implemented, maintained, and evaluated’. The UNDP (1993:21–22) leans more towards participation as an actual end when it states that participation does not refer ‘only to people’s involvement in particular projects or programmes’ but to ‘an overall development strategy’ and that ‘any proposal to increase people’s participation must therefore pass the empowerment test’. The UNDP sees some new openings for greater participation. These openings, which can also be seen as the conditions for participation (and thus human development), include democracy (e.g. decentralisation of decision-making processes), the transition to market economies, privatisation, the information revolution and the emergence of NGDOs.

Although one can argue about the conditions for participation, it remains clear that the active involvement of people in a development process (whether under the name of participation, empowerment or ownership) is regarded nowadays as an absolute prerequisite for development by the major players in the field of development aid. The question is whether this renewed attention to

participation will pay off. Stiefel and Wolfe (1994:220–223, 229–230) are quite sceptical about the influence of such changes on actual development practice. One of the main reasons for their scepticism is the vagueness and ambiguity with which the term participation is used. This vagueness and ambiguity can lead to not only confusion among the staff of the aid-agencies but also widespread cynicism with regard to the emergence of yet another new fad. The vagueness and ambiguity in the use of the term participation also allow the donors ‘to limit themselves when convenient to general proclamations and advocacy of participation without having to spell out the practical implications, the political aspects, and thus the power consequences of participation’. Other impediments to participation in development projects may relate to (1) ‘the real or imagined political power implications’ of such participation and the opposition to participation arising from both local and national elites and powerholders; (2) the fact that international agencies are obliged to ‘work only with or through governments’ which makes participation dependent on ‘the quality and the dominant value systems of public administration and of government staff’; and (3) the concentration on ‘technical and economic aspects of development’ because ‘international organisations and their field staff are aware of [...] political problems and constraints’.

The question is how can such an empowerment/participation process be enabled? Central to this are the elements already mentioned in our definition of empowerment: awareness and capacity building accompanied by organisation. ‘A truly participatory development process cannot be generated spontaneously given the deep-rooted dependency relationship that exists,’ according to Wignaraja (1991:202 but also see: Farrington et al. 1993:107–108). A catalyst is necessary to initiate the process, and the interaction between the people and the catalyst will set ‘in motion a process of action-reflection, with mobilisation, and organisation, and further reflection among the poor.’ This process, in short, is a process of sensitisation and awareness raising, without which people ‘are merely manipulated with a pretence of consultation.’ It is at the same time a process of organisation for ‘it is difficult for the poor to individually break away from the vicious circle of dependence and poverty.’ In short: ‘participation implies mobilisation, conscientisation, and organisation – in that order’ (Wignaraja 1991:202–203).

Hence the perspective taken in studying the aid-supported sample of projects here, is to expect to find evidence of participation practices such as:

- involvement of intended beneficiaries in project design, implementation and evaluation
- channels of communication between project implementing agencies and the local community;
- specific user groups being set up within the project; the extent to which these are representative or ruled by elites and whether there are specific women’s groups or women fully participating;
- attention being paid to education and organisation; use made of public awareness campaigns, mobilisation of community;
- involvement of beneficiaries in operation and maintenance, including maintenance skills training.

3.5 Sustainability

In this study sustainability of development activities is taken to refer to the extent to which such activities are able to deliver benefits for an extended period of time after financial, managerial and technical assistance from an external donor is terminated. The emphasis is on sustaining the benefits, not the project or programme. The ‘extended period of time’ is determined by the goals of the programme and will vary with the nature of the programme and its objectives. As such, sustainability basically is an aspect of feasibility assessments for any project or programme.

In ‘Sustainability in Development Programmes: a compendium of evaluation experience’ the OECD (1989) reviewed the experience of donors with the design and implementation of sustainable development programmes. The factors determining the sustainability of development project and programmes were placed under seven headings: (1) ‘Host government policies’ (e.g. the commitment of the host government to a programme and a need for an analysis of the importance and effects of various government policies on programme performance and sustainability); (2) ‘Management, organisation and local participation’ (e.g. managerial leadership, the organisation’s administrative capabilities and, where benefits are directly associated with local populations, local participation in planning and implementation and in the key decisions affecting beneficiary welfare); (3) ‘Financial factors’ (e.g. a flow of funds to cover operations, maintenance and depreciation of the investments); (4) ‘Technological factors’ (e.g. technology must be appropriate to the developing country’s financial and institutional capabilities and the technology must be accepted with mechanisms for its maintenance and renewal); (5) ‘Socio-cultural factors’ (e.g. programmes are likely to be less sustainable if they function in ways that are inconsistent with local traditions or assume changes in behaviour patterns; programmes that hope to have a lasting impact and become integrated into the social fabric of a community must explicitly address women as principal actors); (6) ‘Environment and ecological factors’ (e.g. sustainability can be enhanced by encouraging changes in behaviour patterns that adversely affect the environment. Ownership can be a strong incentive to conservation); and (7) ‘External factors’ (e.g. political and economic instability, and natural disasters).

The position taken in this study is that there are the following main types of sustainability:

- Institutional sustainability, encompassing:
 - (i) Government policies and thereby the possibilities for replicability;
 - (ii) Management and organisation, emphasising the need for institutional strengthening and (re)structuring; and
 - (iii) Local participation and capacity building taking account of the potential conflict between the poor (men and women) and the powerful.
- Economic sustainability: sufficient funds, determining not only the extent to which there are funds to allow a project or programme to continue, but also affordability of replication.
- Technological sustainability: technology that is affordable, acceptable and effective.
- Environmental sustainability: judging the potential conflict between short-term benefits and forgone benefits to meet long-term needs.

Within the projects studied here, we would expect to find evidence of understanding of different elements of sustainability and organisational, institutional and financial capacities developed to continue the project benefits.

3.6 Replicability and scaling up

Given the limited nature of donor resources in relation to India’s development needs, it is obviously important to consider how donor interventions may be successfully transplanted to other areas (replicated) or implemented on a larger scale (scaling up). In theory, the increasing emphasis that most donors place on partnership at the national and, especially, at the state level should naturally lead into a consideration of replicability and scaling up. Success here is clearly more than a narrow technical matter, and is strongly dependent on there being sufficient political commitment to provide and maintain the necessary level of financial and human resources.

From the perspective of this study the following questions are posed in relation to institutional capacity and cost effectiveness.

Institutional capacity:

- is the institutional structure involved in identification, design, and implementation of the intervention appropriate for the replication and/or scaling up of the intervention?
- is consideration given to involving potential managers (other secondary stakeholders) or other potential beneficiaries (other primary stakeholders) during implementation (or even design) to facilitate future replication or sustainability?

Cost-effectiveness:

- is the intervention costly in budgetary and human resource terms relative to the number of beneficiaries and the scale of benefits delivered?
- are budgetary and human resource/management costs likely to fall with replication or scaling up?

Understanding of project context:

- has account been taken of the specificity of the intervention context: financial, economic, social, institutional?
- has the donor/partner considered whether the intervention can be adapted so as to be replicable in other contexts?

In addition to these three areas, it is important for agencies to assess through dialogue whether the political will within the relevant ministries and relevant tier of government is likely to be sufficient to generate support for broadening the scope of the intervention. The nature of the donor-partner dialogue is likely to be critical in determining whether the planned intervention is perceived as donor-owned or government-owned but donor-supported. Interventions which are seen as donor islands of excellence (or otherwise) are highly unlikely to be scaled-up or replicated. Skills of political analysis may also be important in taking an informed view as to whether the nature of the activity is such that the government is likely to wish to integrate it into mainstream national or state-level practice.

3.7 Monitoring and evaluation systems

Interventions aimed at reducing poverty are often of necessity complex, risky in terms of uncertain benefits, and process-oriented. It is therefore particularly important that the donor or partner consider approaches designed to assist a process of continuous learning by those involved in the project to ensure adequate responsiveness to changing circumstances. It is also important that the monitoring and evaluation system can facilitate the learning and dissemination of such lessons to assist with any future interventions for poverty reduction. These needs are in addition to the basic need of the system to provide accountability against donor and government poverty reduction objectives.

From the donor perspective, transparent monitoring and evaluation systems permit the wider public, politicians, the media and academics to judge whether the agency is fulfilling its commitment to stated poverty reduction objectives. Monitoring systems can potentially help provide a solid basis for informed public support for a poverty-oriented aid programme. Just as important, however, is accountability within the development agency. The effective monitoring and evaluation of the poverty reduction efforts of donor officials is essential to create the right incentives for staff to

seriously engage in poverty reduction interventions, which are widely perceived as being risky and, on account of their participatory nature, time-consuming and thus slow in disbursements. Rewarding such efforts is clearly very difficult unless there is some system for assessing poverty reduction efforts. In the context of current support for strong partnerships, monitoring and evaluation systems must be expected to enhance accountability to developing country stakeholders also. This allows them to judge whether their government and the donors are sufficiently prioritising poverty reduction and how far the poor are actually benefiting.

Monitoring and evaluation of interventions can take place at different points within the project or programme cycle. Four points in particular need to be mentioned:

- inputs (usually disbursements as proxies for the goods and services provided through interventions);
- processes (or the approaches used in interventions);
- outputs (the results of the project in relation to its aims);
- impact (the effects upon the poor and levels of poverty)

Traditionally, far more emphasis has been given to monitoring inputs, in part because this is technically the least demanding, while it can be used to demonstrate commitment to poverty. Some attention is given to outputs, but there tends to be very little assessment of processes or impact, and only occasionally is there any attempt to disaggregate benefits by socio-economic group. For the most part, discussion of accountability is limited to the extent to which the poor and their needs are targeted in aid allocations rather than how far poverty is being reduced.

The ability to monitor outputs and impact requires a systematic treatment of poverty considerations at the earliest stages of planning interventions. Unless the poverty reduction objectives are clear and explicit and the potential beneficiaries are carefully identified at the outset, it is difficult to use monitoring systems to assess actual results. In addition, there is a remarkable lack of baseline studies which, for larger interventions, are valuable for generating conclusions about the distributional impact of interventions. This must be balanced against the need for simplicity and cost-effectiveness, if monitoring systems are to be sustainable and, especially with sector-wide approaches, integrated into national systems.

Accountability is required at the level of country strategies or programmes, and not simply at the level of individual interventions. It is expected that an agency will assess whether commitments to poverty reduction made within country strategy documents are being implemented. While many agencies have put considerable effort into preparing country strategies that are more closely focused on poverty reduction, far less effort has been devoted to measuring the success of country programme management in achieving the stated objectives.

With respect to the processes of learning and dissemination, an effective monitoring and evaluation system requires systematic feedback within the donor and partner institutions if it is to result in improved practice. Unless this occurs, then mistakes will be repeated, often at considerable cost to developing country partners and the poor themselves. Unfortunately, researchers and practitioners since the 1960s have repeatedly noted the failure of evaluation output to translate significantly into influence over policy and decision-making (Thin, 1998).

Effective learning and dissemination depend on:

- appropriate monitoring and information-gathering systems, providing socio-economically disaggregated data;
- efficient distribution of and free access to, information within the agency and partner structures; where reports are confidential or little circulated the knowledge is lost;
- strong presentation of information;
- strong analysis rather than the reiteration of truisms;
- formal requirements on officials to consult evaluation studies when designing new interventions or strategies.

At least as important as these more formal mechanisms, however, are informal systems. Technical advisers can play an important role through their involvement in the appraisal and the review of programmes. In some cases, their sector-specific experience from a number of countries (ideally developed in a cross-cutting environment) makes them central to the feedback process. Rotation of staff between the field and headquarters may also be critical in building institutional memory.

4. Donor strategies and approaches

4.1 The approach to poverty reduction in donors' aid

There have been important changes in the nature and composition of that assistance over the past two decades. In the 1970s and 1980s the dominant model was a formal or informal differentiation within each donor's programme between an economic component and a more poverty-oriented portion. The majority share being concessional import support partly tied to procurement in the donor country and with at best a very indirect impact on poverty. The remainder being funded projects with an increasing emphasis on social as well as economic development or poverty reduction. There were some nuances. In the case of the UK, the twin-track model was defined in terms of sectoral composition rather than aid instruments. Aid to the energy and transport sectors, for instance, promoted economic development through capital and technology transfer were perceived to make an indirect contribution to poverty reduction, whereas that supporting renewable natural resources, the social sectors and urban development met poverty or environmental objectives more directly. The Dutch distinguished between economic self-reliance and poverty objectives, but associated the former with fully concessional balance of payments support (up to 1993) and debt relief (since then), while poverty was to be reduced through project aid. Finally, the European Community's aid programme presents the most formal distinction, with two entirely distinct development and economic cooperation instruments, managed by separate teams of specialists, and with only the former pursuing social development and poverty reduction goals.

In the past decade the nature and policy framework of development cooperation has evolved for each of the six donors. This evolution has entailed a growing emphasis on poverty reduction. Interestingly, in Sweden public antipathy to the gap between Sweden's noble objectives in its aid to India and the use of aid to finance industrial imports was an important driving force for change and in Denmark Parliament has been more active than elsewhere. For both of the Scandinavian countries, one element of this reorientation was some loosening of commercial imperatives. By the 1990s one half of Danish aid was no longer formally tied to procurement in Denmark, though it remains an important objective to involve the 'Danish resource base'. The major change, however, has been in the central policy framework of all six donors. Although the process of transition is ongoing, particularly for Germany and the UK, each has adopted new strategies in the course of the 1990s, all of which laid more stress than ever before on the centrality of poverty reduction to their aid. The position in India usually reflected a more general reorientation of agencies objectives.

While once Germany's development ministry, BMZ, had seen poverty reduction as the preserve of non-governmental organisations (NGOs), in the mid-1980s a special panel was established to integrate poverty concerns into the framework of official development aid. In 1990, the panel published a policy paper *Fighting Poverty by Promoting Self-help*, which gave new weight to participation and self-help as the cornerstones of BMZ's approach to poverty reduction, and which was followed up with a concept paper in 1992. Danish aid from the mid-1970s to the early 1990s revealed a general commitment to poverty reduction as a basic policy objective, but had produced few strategies of any operational significance. This changed when, in 1994, Denmark adopted 'Strategy 2000', which characterised poverty orientation as a 'fundamental principle' of Danish aid. The strategy's main components were sustainable and socially balanced economic growth, developing the social sectors, and promoting popular participation. In the same year, Sida set up a 'Task Force on Poverty Reduction', resulting in a synthesis report which also stressed increased recipient participation, along with gender sensitivity, goal-based planning and donor coordination. Most importantly, the Task Force's work put Sida's poverty reduction objectives on a more operational basis.

Equally, it is during the 1990s that the UK aid programme has revealed greater commitment to poverty reduction as its central aim and developed a more sophisticated approach towards making it operational. From 1992 to 1995 there remained ambiguity since poverty reduction was listed among six or seven other objectives, but a fundamental review in 1995 restated DFID's purpose and in principal placed poverty reduction at its core. This reorientation was greatly strengthened with the publication of a new White Paper on International Development which followed the election of a New Labour Government in the UK in May 1997. Some operational guidelines aimed at increasing its impact on poverty have been prepared, though none yet with the authority of the German, Danish or Swedish efforts. These developments are paralleled by the Treaty on European Union (article 130u) of 1992 which placed poverty reduction at the heart of the European Community's policy framework for the first time, followed by a policy paper and Council Resolution on the 'Fight against Poverty' in December 1993. These may be seen as paralleling developments at the bilateral level since there is no evidence that the increased rhetoric at the European Community level has in any way influenced the poverty policy or aid implementation among the EU member states.

The European Community aid programme has evolved considerably over the past few decades. Aid to India was justified in the 1970s and 1980s primarily on the grounds that India had the requisite development expertise and simply required additional resources. Development assistance was a purely financial instrument, whereby the Community aid programme purchased a certain value of fertiliser and the Indian Government undertook to fund additional development projects to the same value. In the mid-1980s there was an attempt by some in the Commission to shift away from narrow provision of financial resources, to a more fully-fledged development programme. This was resisted by the Government of India, which lobbied the Commission at a senior level and which, together with European industrial and fertiliser companies, succeeded in staving off significant change until 1990. The Community aid programme shifted away from its role as financial provider to being a catalyst for change which sought to enhance its impact by closer coordination with the member state programmes. This shift was reflected, belatedly, in a new Council Regulation in 1992 which included reference for the first time to human rights, democratisation and good governance. This was reinforced by the document *India and the European Community: cooperation strategy to the year 2000*, in 1994, which formally placed poverty reduction at the heart of its development strategy (as of course did the Treaty on European Union in 1992). A more recent document from the Commission, *EU-India Enhanced Partnership*, emphasises the value of 'building a human dimension' as a parallel objective to economic development. Although it underlines the importance

of improving basic social services, there is no detailed analysis of causes and potential solutions to poverty.

The positive nature of this groundswell in favour of a greater poverty orientation must, of course, be tempered by an acknowledgement that commercial interests continue to play a role. In all the donor programmes studied here, there are examples of business interests having distorted aid to India and made it less poverty-oriented. Despite clear evidence of a greater ‘seriousness’ in tackling poverty, ambiguity between developmental and business interest remains.

4.2 Donor views of the Indian approach to poverty reduction

Interviews conducted with the staff of the six aid agencies in India suggest that they welcome the emphasis placed by the Government of India on tackling poverty through a raft of programmes. This commitment, many feel, contrasts sharply with the apathy towards poverty reduction characteristic of many sub-Saharan African countries. However, donor impressions, shared by some within the Government of India, are that most central government poverty reduction programmes have relatively little impact on their intended target group. The Danes, for example, expressed the view that by and large the policies are quite good, but implementation is a big problem. The dominant view among UK staff, shared by the Germans, was that often the policy environment itself was flawed, with distorted incentive structures causing massive ‘leakage’ of benefits to non-poor groups; most subsidies were felt to be misdirected.

The Dutch, the Danes, the European Commission, the UK, and no doubt others, felt that government programmes have been hampered by overly-bureaucratic delivery mechanisms, and expressed the hope that donor-support for institutional building and human resource development would bring benefits. Germany expressed a particular concern that many social programmes have failed to build a broader base for pro-poor development through the self-help potential present at the local level. This is perceived to be a problem both in the design of the government’s programmes, for example the failure to embrace user fees in the irrigation and power sectors, and in the institutions through which programmes are implemented. In particular, the government’s lack of enthusiasm to utilise local non-governmental organisations, user groups and self-help groups leaves it reliant on tradition-bound administrative systems. Other comments included:

- The reforms of the Panchayati Raj (or decentralised government) have been unevenly implemented across states, with the result that the institutional base at the local level varies greatly. The scope for supporting poverty reduction in the neediest of states, such as Bihar, is very limited where corruption is combined with a weak local-level institutional base.
- Although there is growing support for a participatory approach within government, too many projects are presented to donors which are still designed and implemented from above.
- The Indian government is moving towards a more decentralised approach, such as in the District Primary Education Project, but it remains the case that rarely is the diversity of problems and contexts found at the local level incorporated into the planning process in government programmes.

German officials felt that the Indian central government is sceptical and mistrusts this decentralised approach and the role of NGOs as implementing partners. However, they also felt that the Government is now showing greater willingness to support a self-help approach and to cooperate with NGOs to this end. The potential of this self-help approach is of course limited if NGOs are not engaged within a framework which recognises their particular capabilities and constraints. At the

same time it must be recognised that NGOs are not alternatives to the government system; they are relatively few in number and are not a panacea for coping with caste problems.

There is a strong belief within the German KfW that macroeconomic and structural reforms, such as the removal of subsidies and expansion of the tax base, are preconditions for effective development and an improved distribution of the ensuing benefits. The continuing flow of foreign investment is seen as providing strong pressure for further moves in this direction, as well as helping to improve the competitiveness of Indian industry, creating more employment in the process. This view was shared by the UK, which also recognised that India, unlike many other developing countries, *has* the capacity to make effective strides towards poverty reduction. A decade ago there was no willingness to look at macroeconomic reform. Now there is. If political will can be mustered for macroeconomic reform, the hope of the UK and others is that it can be mobilised for sector- or state-level reform.

4.3 European donor country strategies

The objectives, analysis of poverty and operational priorities of the different donor strategy documents are set out in Table 4.1 with comments. One important caveat is that several of the agencies have moved beyond the position set out in the latest available strategy paper available to the authors. This includes the Netherlands (latest paper available for 1992–95), the EC (latest full strategy is 1994) and the UK, which will replace its 1995 strategy paper in mid-1999. This caveat does not apply to Sida or Danida, which have strategies dating from December 1996 and 1997 respectively.

Table 4.1: Six EU donor country strategies: summary of process and content

	<i>Denmark</i>	<i>European Community</i>	<i>Germany</i>
<i>Date of preparation</i>	1997.	1994 Strategy to the year 2000. (An overview only of the more recent one was available).	The strategy document was not made available directly to the researchers. Information based on interviews with agency staff.
<i>I. Process of strategy formation</i>	New 1997 strategy was entirely donor-driven, partly response to need for new strategy following India's reintroduction as a programme country, and need to incorporate new policies under 'Strategy 2000'. Dialogue with Indian government at courtesy level.	Documents sought to reflect the outcomes of Joint Commission Meetings (EC, member states, Indian government), other meetings with Indian govt and with NGOs. New strategy drew on commissioned studies of poverty. Nonetheless, strong top-down element-government receives document at finalisation	'Country concept paper' summarises the main political, economic, social (incl. gender), and environmental situation and the main priorities for German aid. It is primarily drawn up within Germany, with inputs from KfW and GTZ.

	<i>Denmark</i>	<i>European Community</i>	<i>Germany</i>
		stage.	
<i>2. Goals, objectives and priorities</i>	PR has become dominant objective for all assistance but also important cross-cutting gender and environment objectives. PR not supreme in practice; risk of conflict with environmental and PR objectives.	1994 doc: Global aim of 'sustainable economic development and social progress'; but also states centrality of PR by improving: i) access of most deprived to productive resources; ii) basic social services. Lists range of other objectives, rural development, key sector reform, employment generation etc. New strategy: clearer focus on poverty reduction through human resource development. Also strong environmental objective.	Poverty reduction is a priority among others (including gender environment, resource protection, education, increased economic competitiveness). Germany claims a shift away from an emphasis on investment in economic growth <i>per se</i> towards poverty reduction explicitly. Self help groups are a frequently stressed priority.
<i>3. Analysis/ definition of poverty</i>	Some sector reports prepared by Indian consultants. Also Danida commissioned a study of its four priority states, analysing in detail economic and social development and concentrating on poverty.	1994 document: no definition of the poor, no analysis of nature and causes of poverty. New document: refers to gender, location, rural vs urban and degree of access to services. Strategy drawn on commissioned studies of poverty (mainly by Europeans).	No clear definition as such; working with general notions that most rural communities are poor etc. A poverty unit in BMZ is charged with monitoring the poverty focus at the country, programme and project level, and developing a better conceptualisation and definition of poverty (e.g. joint workshop in 1997 with Indian government to discuss poverty reduction).
<i>4. State selection</i>	Concentration in Karnataka and Madhya Pradesh (phasing out Tamil Nadu and Orissa). Choice of Karnataka and loss of Orissa suggests objectives other than PR are involved.	No state concentration or selection of areas on basis of poverty level. Criteria for geographical focus cited: where past implementation has been effective; and good local participation.. New strategy prioritises areas where political commitment is high, on pragmatic grounds.	Seven states in which most aid is focused (Maharashtra, Rajasthan, Madhya Pradesh, Orissa, Karnataka, West Bengal, Himachal Pradesh), though also projects in other states (e.g. self-help funds) and national programmes.
<i>5. Operational</i>	Sector programme support approach,	1994 document: 3 priority areas: agriculture, PR and	Priority sectors in 1997 were rural development

	<i>Denmark</i>	<i>European Community</i>	<i>Germany</i>
<i>priorities</i>	concentrated in 4 sectors: agriculture, drinking water, health, and energy & environment. Also a minor private sector programme aimed at facilitating Indo-Danish business collaboration.	social development, and rural employment. Some effort to identify the poor (e.g. landless, women, children) in each area, and focus on primary level education. But criteria for project selection make no reference to poverty or the poor. New strategy: human resource development through emphasis on basic education and health, also rural employment creation.	and agriculture, health, education, infrastructure (esp. power and transport) and finance/private industry). No formal sector programme approach, but increasing emphasis on sector level analysis, with papers on power and vocational training (in 1997), and papers planned on environment, irrigation, water supply and health.
<i>6. Comments</i>	Although PR now has formal priority, the choice of sectors and the emphasis on other objectives suggests some dilution in practice.	1994 document: reasonable focus on PR, but weakened by top-down nature, lack of analysis of poverty, descriptive rather than strategic. New strategy: difficult to judge on overview document only. New emphasis on basic education and health interventions at expense of ad hoc rural etc. projects.	Considerable thinking and discussion of poverty assessments and poverty reduction, though varies greatly depending on project and personnel. GTZ appears to take more multi-dimensional approach than KfW. The latter tends to consider a very wide range of interventions at a 'rural' level to constitute indirect if not direct poverty reduction.

	<i>Netherlands</i>	<i>Sweden</i>	<i>UK</i>
<i>Date of preparation</i>	1997 policy plan covering South Asian region & 1997 annual plan, finalised Nov 96.	1997–2001, finalised in Dec 1996	1995–98, prepared in 1995; and new 3-year strategy currently being prepared.
<i>1. Process of strategy formation</i>	South Asian plan prepared in the Hague in top-down fashion. Annual plan prepared in India, but without consultation outside the embassy.	Top-down, with largely formal consultation with Indian government. Involvement of Indian researchers in preparation of state/sector background papers; otherwise little consultation outside embassy.	Previous strategy was top-down involving very few DFID staff. Forthcoming strategy: all DFID staff consulted, some consultation of academics, but consultation with Indian government is coming at the end of the process. Little consultation of Indian

	<i>Netherlands</i>	<i>Sweden</i>	<i>UK</i>
			civil society, apart from several NGOs.
<i>2. Goals, objectives and priorities</i>	Unclear: South Asian plan: little guidance on development cooperation. Annual plan has far less detail than earlier country policy plans or sector plans.	Main objectives: i) fighting poverty and improving living conditions (esp for women and children); ii) sustainable use of natural resources & reduction of pollution.	<i>Current CSP</i> : goal is defined as ‘strengthen[ing] Indian capacity to reduce poverty in a sustainable way’; but diluted by six other objectives (economic reform, enhancing productive capacity, promoting good governance, environment). Linkages between these other objectives and PR not spelt out. <i>New strategy</i> : greater attention to linkages between education, health and other activities and overarching PR goal is likely.
<i>3. Analysis/ definition of poverty</i>	Nothing in strategy papers. But studies of poverty indicators of four focus states prepared in mid-1990s: AP, UP, Kerala & Gujarat. Could provide justification for concentrating Dutch aid on these states and on the poorest districts within these states. Or, may be used to justify existing practice.	The new country strategy was preceded by working papers on various themes and sectors, mostly written by Indian researchers and consultants. Sida prepared a state study of Rajasthan, with detailed analysis of economic, social and political profile.	<i>Current CSP</i> : some analysis of economic reform process, social sectors, environment and good governance, but without closely relating it to poverty. No detailed analysis of nature and causes of poverty, or socio-economic and political constraints to PR. Commitment to targeting the poor, directly & indirectly. <i>Forthcoming CSP</i> : state level poverty studies and gender studies being prepared as inputs to CSP, but will only be available as drafts.
<i>4. State selection</i>	IOV (Inspectie Ontwikkelingssamenwerking te Velde) recommended a concentration on 2 or 3 states, but currently aid remains dispersed among 5 states. UP was to be phased out based on criteria of poverty,	Future assistance in social sectors to be concentrated in Rajasthan and Tamil Nadu, but other sectors India-wide. Dilution of original embassy objective of concentrating all aid in Rajasthan ‘ among the poorest states. Other sectors may be	<i>Forthcoming CSP</i> : strong emphasis on state-level partnership. Entered into dialogue with Orissa, Andhra Pradesh and West Bengal, and may also include Madhya Pradesh. Choice depends on level of poverty, commitment of govt to PR, and

	<i>Netherlands</i>	<i>Sweden</i>	<i>UK</i>
	continuity, state competence, but rejected by Minister. Currently, intention to concentrate on 4 states: AP, UP, Kerala and Gujarat, and to phase out Karnataka.	concentrated in limited number of states; not necessarily the poorest. Though state study prepared, concentration plans watered down and now no attempt to formulate strategies at state level.	(especially) past historical association. Will continue relationship in specific sectors with other states (Karnataka, Maharashtra) and consider a relationship with very poor states through NGOs (e.g. Bihar and UP).
<i>5. Operational priorities</i>	Four themes: i) societal development (rural water supply & sanitation); ii) agriculture and regional development (mainly irrigation, drainage & desalinisation); iii) environment; iv) women and development. Two other themes: urban development and children (but minor involvement to date). Sectors more the result of chance than strategy.	Concentration on 3 'sectors': social sectors (education. & health); ii) energy & environment; iii) natural resources (soil, forestry, water). Also, consultancy fund for exchange of technical & scientific knowledge between India & Sweden (1% of budget 1997, 10% in 2001).	Currently spread broadly - no clear sectoral focus in <i>current CSP</i> . The <i>forthcoming CSP</i> may seek a greater focus by phasing out support to some sectors, and states that it will aim over time to ensure sectoral focus reflects the priorities of partner states.
<i>6. Comments</i>	Current regional and country plans provide no clear statement of strategy or of centrality of the PR objective. No analysis of poverty within current documents, though separate studies prepared. No guidance on operational priorities.	Link between PR objective is clear for social sector spending, but this is to be reduced from 60% of budget in 1997 to 40% in 2001. Trade-off between environmental and PR objectives in the natural resource sector is unclear. Little clear poverty focus in the energy/ environment and consultancy fund.	The current CSP clearly states the centrality of PR, though the strategy is less clear. The forthcoming CSP promises to be more consultative, with greater strategic content, greater attention as to how the range of interventions may contribute to a poverty-centred state-level partnership. But consultation on the forthcoming CSP with national government is late, and at state level has been minimal.

Country strategy formation: an assessment.

Given the stated centrality of the poverty reduction objective, donor country strategies might be expected to provide a careful analysis of the nature and causes of poverty in India, and to articulate the linkages between the PR objective and the donor's current and planned interventions. The

rationale for a particular state and sectoral focus should be clear, and again the links between these and addressing the needs of the poor should be apparent. In addition, the donor's future strategy should be presented, including an assessment of potential opportunities and constraints for effective poverty reduction.

By setting out the goals and strategies of the donor, the country strategy paper (CSP) may potentially fulfil an accountability function. Yet in practice, there were no concrete examples of donors examining performance against the objectives outlined in the strategy papers. For this to be effective the papers would need to set out clear indicators by which poverty performance could be assessed, and who within the agency and government is responsible for collating and analysing such data and at what intervals. In addition, senior agency management would need to allocate the time needed to hold programme managers to account against the performance indicators contained in their strategy documents. Clearly, successful outcomes depend on a partnership between agencies and governmental/non-governmental bodies, but an annual review process of this kind would place the onus on managers to measure success, identify the critical factors influencing outcomes and the measures needed to ensure greater poverty impacts. None of the papers include such indicators, and neither do agencies have such country-level accountability systems in place.

These gaps undoubtedly contribute to a further finding, namely that donor officials rarely referred to the documents, suggesting that they are far less relevant than they might be, and are not seen as providing practical guidance to those charged with implementation. Of course CSPs should not be seen as a once-off process of strategic thinking, and may to some extent be summaries of strategic thinking carried forward on a continuous basis through sector and state-level dialogue with partners. There is some evidence to suggest that although in late 1997 there was little evidence of strategic analysis at the sector and state level, several agencies were preparing such studies which would be 'live' and relevant and thus remedy weaknesses within country strategies.

Some of the value of the donor country strategy papers lies in the process of preparation itself. If taken seriously, we would expect it to be preceded by extensive consultation and debate within the agency itself and with Indian governmental and non-governmental actors. Donors emphasise the importance of ownership by their partners in government and civil society, and the process of preparing country strategies provides an unparalleled opportunity to build ownership. The process of preparation might also be expected to generate background papers, such as poverty assessments or state and sector analyses.

However, the development of a country strategy has been an almost completely donor-driven affair, with minimal consultation outside of donor agencies. The contrast between the reality of a top-down approach with the donors' stated commitment to participatory rather than bureaucratically-driven processes is stark. This applies even to the very recent Danida and Sida strategies. In the case of DFID/DFID, this lack of a participatory approach applied even to its own staff, one of whom described the process in 1995 as having involved 'a few people in a darkened room'.

The record is not entirely negative, however. The Danes and Swedes did involve some Indian researchers and consultants in preparing background sector, state and other studies. These had a significant focus on poverty and provided detailed economic and social development indicators. The process leading up DFID's new country strategy to be published in spring 1999 is also far more participatory than hitherto. New guidance from DFID headquarters on the preparation of CSPs calls for an 'opening up' of the process, tapping into outside knowledge such as local stakeholders (e.g. governments, local NGOs and the private sector), and UK sources (e.g. NGOs, business and academia). This appears to have been partially implemented, with full consultation of DFID staff, some consultation of the NGO and research community in India and in the UK. However,

consultation with the Indian government occurred at a relatively late stage, limiting to some extent the scope to develop a strategy based on a partnership of equals. The European Commission states that its strategy has been based on discussion with other member states and with the GoI at an annual Joint Commission meeting and other working groups on development and environment. The Commission has sought to elicit the opinions of a range of NGOs both in India and in Europe. However, the actual strategy document itself is only shared with the GoI at a very late stage in the drafting process and in practice external consultation appears quite restrained. Interestingly, the Commission Delegation itself did not appear to be very familiar with the various Commission strategy documents, including the Council Resolution on Poverty Reduction, casting some doubt on the extent to which general Community policy statements on poverty actually shape the development process at the country level.

The overriding conclusion is that donors are missing an opportunity for dialogue and consensus-building with Indian government and non-governmental partners, and thus for making recipient ownership more real, and ensuring congruence between donor priorities and those of their partners. This is a serious shortcoming, given that progress in reducing poverty will depend first and foremost on India's economic development and the actions of its government, and donors might therefore be expected to use every channel to help tilt policy in a pro-poor direction.

Goals, objectives and priorities

The papers examined showed the donors to have a wide range of goals and priorities. The selection of states and sectors by Denmark indicates that the poverty objective does not reign supreme. The same goes for the UK. The central objective of the UK programme is defined as ‘strengthen[ing] Indian capacity to reduce poverty in a sustainable way over the medium term’. However, it is rapidly apparent that this is diluted by the requirement to meet the six other objectives of British aid, such as economic reform, enhancing productive capacity, promoting good government and the environment. Very little attempt is made to resolve this apparent contradiction by spelling out linkages between less obviously poverty-oriented activities (e.g. the power or finance sectors).¹ This *may* be resolved in the forthcoming CSP, which, according to a draft outline, will seek to ensure that the UK programme is focused on DFID’s overall aim of eliminating poverty, and takes the White Paper’s commitment to halving poverty and boosting human development and environmental sustainability as its starting points.

The Swedish strategy sets out two main objectives: 1) fighting poverty and improving living conditions, especially for women and children; 2) contributing to sustainable utilisation of natural resources and limiting pollution. The precise relationship and tradeoffs between the two are unclear. The European Community’s 1994 strategy paper sets out a rather vague global aim of ‘sustainable economic development and social progress’, but nonetheless also states the centrality of poverty reduction by improving the access of the most deprived to productive resources and to social services. The new strategy will, the Commission states, have a clearer focus on poverty reduction, which is to be achieved through an increased emphasis on human resource development. In practical terms this will be met by increased spending on basic education and basic health care (two ongoing projects account for the vast majority of EC aid at the moment). The new strategy will also emphasise rural employment creation, perhaps by working more closely with lower level Panchayati Raj Institutions, though this is not very clear. Its main poverty reduction objective shares priority, however, with an environmental objective. The goals and objectives of the Dutch programme, although known to be poverty-oriented, are not clear from its South Asia regional plan or its short 1996 annual plan. In the case of Germany, the view of officials was that the most recent country concept paper reveals a shift in emphasis towards a more explicit emphasis on poverty reduction, but that similar emphasis was also given to environment and gender objectives, as well as education and improving economic competitiveness.

Analysis of poverty

Table 4.1 reveals that there has been remarkably little detailed analysis of the nature and causes of poverty in any of the donor strategy papers examined. This was a recognised source of concern to the past Head of the UK programme to India. It is particularly surprising that none of the agencies appear to have made extensive use of World Bank, UNDP and Government of India poverty assessment data. Although some papers provided a fairly in-depth analysis of what the donor saw to be the main breaks on social and economic development while others, such as the EC 1994 document, presented none. The new EC strategy does apparently draw upon a range of commissioned studies, completed by European researchers, of aspects of poverty in India, which represents an important step forward. The Delegation in India did not, however, appear to be familiar with these studies, suggesting that they may not be informing the programme as fully as they might.

¹ Interestingly, the British document points out that the increasing availability of private finance for investment in commercially viable sectors has helped spur donors, with Government of India approval, to focus more on social sector investments.

The Netherlands' situation gives some cause for concern. It has prepared a draft paper which, in accordance with a new directive, covers the entire South Asian region (i.e. Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) all within 36 pages. The Royal Netherlands Embassy (RNE), not surprisingly, is worried that this will limit the scope and quality of analysis and policy guidance. This applies to the analysis of poverty, as it does to all other aspects examined here. The German paper appears also to have been prepared based on rather general notions of poverty rather than on the basis of in-depth studies.

The recent Swedish strategy paper was preceded by working papers on various themes and sectors as well as a detailed study of Rajasthan economic and political profile, all of which contained careful analyses of poverty. The DFID paper contained a detailed examination of the economic reform process, limited analysis of problems in the social sectors, and some assessment of environmental and good governance issues. The forthcoming UK CSP will for the first time draw on several background analyses of the socio-economic profile of priority states, a profile of gender relations and its role in determining development trajectories. However, these studies will only be available in draft form as inputs to the CSP, and the state level studies will not be in-depth studies.

State selection

Given the six donor's universally stated commitment to reaching the poor, it comes as something of a surprise to note that the four western and southern states of Gujarat, Maharashtra, Karnataka and Tamil Nadu, which all enjoy *per capita* income and other development indicators well above average, loom large in their portfolios (see also Table 5.2). State selection by donors reflects a mixture of historical accident, business interests, and the desire to 'back winners' as well as to reach the poor. This may help explain why the current UK CSP provides no well-developed link between its focus states and poverty reduction beyond saying that these states provide a balance between very poor states (like Orissa) and states with a more positive environment for change. In future, the UK will pursue a twin track approach, channelling most of its resources to three (or four) partner states across a range of sectors, but continuing and possibly expanding existing sectoral programmes to non-partner states. Poverty focused aid might be delivered through NGOs to very poor and 'difficult' non-partner states, such as Bihar and Uttar Pradesh. Fortunately for the UK, its desire to forge partnerships which build on past experience is consistent with its poverty focus, since a considerable part of UK aid has, largely by an accident of history, been concentrated in very poor states (e.g. Orissa).

The Danish case provides an instructive example of the difficult trade-offs in state selection. A case which undoubtedly is paralleled to some extent by the other bilaterals considered here. During the 1980s and 1990s, Danish aid was concentrated in four states, Tamil Nadu, Karnataka, Orissa and Madhya Pradesh. The first two are middle-ranking in terms of human development, while the latter two are near the bottom. The Danish embassy had recommended that if the state focus of the programme was to be narrowed down to two, then these should be Orissa and Madhya Pradesh. Madhya Pradesh and Orissa are not only the poorest but also are contiguous, opening up possibilities of working across the boarder in the poorest regions of both states. The debate was settled by the Minister for Development Cooperation himself. He personally decided that Karnataka should be selected above Orissa. The decision was subsequently justified in terms of the vigorous implementation of the Panchayati Raj in Karnataka but what was probably far more significant is that Karnataka (or at least its capital, Bangalore) is highly dynamic and presents far more interesting opportunities to Danish business than Orissa.

Sweden's strategy with respect to geographical concentration also indicates the role played by wider factors, including political and business interests, in addition to poverty considerations. The current Swedish strategy represents a significant dilution of the original proposal developed by the development cooperation section of the Swedish embassy. The original proposal envisaged a very significant concentration of all types of future Swedish development assistance to Rajasthan. This made sense because concentration is likely to improve aid effectiveness, because the experience in this state so far has been good and because Rajasthan is one of the poorest states in India. From a poverty reduction perspective such a concentration might have provided interesting new opportunities. But in the event the decision taken at Sida headquarters and backed by the Swedish government prescribed a concentration to Rajasthan (and to a lesser extent also Tamil Nadu) only with respect to social sector aid, leaving the freedom to provide other types of assistance to other states. Even within other sectors (energy, environment) the aim will be to concentrate to a small number of states, but not necessarily poor states. It is quite evident that the strategy adopted has compromised on poverty orientation, and it is equally obvious that this will make it easier to look after certain Swedish interests. One point in its favour is that it is more in line with Indian preferences that there should not be too much concentration on particular states by individual donors.

It must be acknowledged that the macro-economic, political and institutional context is markedly less conducive to aid effectiveness in the poorest states such as Bihar, Orissa and others. It is also the case that recent experience from the health sector and other sectors strongly suggests that donor assistance will deliver poor returns on investments aimed at reaching the poor unless there is a genuine commitment of government to extensive reform. But this excuse can be overworked, and it is clear that donors could do more to work more closely with the poorest states to help strengthen the constituency for reform. One approach may be for like-minded donors to try and engage in sector-specific dialogue, and thereby enhance their collective leverage *and* the package of support offered. A nod was made in this direction when the Government of Orissa with DFID support convened a multi-donor meeting in Delhi to discuss the scope for a coordinated response to Orissa's health needs. The follow-up and practical implications of this are as yet unclear.

In the case of the European Community, there is no process of state selection. Aid has been distributed across India, mostly in *ad hoc* projects, rather than according to a strategy informed by an assessment of poverty. The main criterion used has been the level of political support existing within a state for a particular intervention. The Commission has argued that to be other than opportunistic (or pragmatic) in this regard results in too much time being spent on trying to mobilise support before implementation can begin. The Netherlands prepared a study of poverty indicators of four focus states in the 1990s, but it is unclear how instrumental this has been in determining aid distribution since the Minister for Development rejected the IOV recommendation to concentrate aid on two or three states, taking account of poverty status. The German case appears similar to that of the UK, operating in a mix of very poor (Rajasthan, Madhya Pradesh, Orissa) and also those states with better development indicators (Maharashtra, Karnataka, Himachal Pradesh, West Bengal). German support for interventions across all these states together with support at the national programme level, suggests a somewhat confused message regarding the priority accorded to poverty reduction – a charge that could be levelled at all six agencies.

4.4 Sector strategies

The role of sector strategy papers

A good country strategy paper clarifies the goal of a donor's programme and, analyses the country context and the resultant opportunities for the donor to contribute to poverty reduction. Ideally, it will be able to demonstrate the linkages between the donor's operational priorities and its goal (of poverty reduction). However, it cannot enter into detail about the potential contribution of interventions on a sector-by-sector basis to contribute to poverty reduction, how this contribution might be maximised, and what the risks and opportunities are. There is thus a strong argument suggesting a role for meso-level analysis, filling the void between (macro) country level strategy and (micro) project level design documents. This could be done either by sectoral studies or, in the case of India, state strategy papers (see below), or some combination of the two. Concentrating first on the former, the role of sector strategy papers is to:

- summarise the sector context including the:
- government's priorities within the sector; lessons of experience within the sector and relevant experience gained from other sectors which may be further ahead;
- institutional strengths and weaknesses, including of delivery mechanism;
- clarify the degree of coherence between the government's priorities and those of the donor, and how donor's objectives will contribute towards the goal of poverty reduction; ensure that these objectives are realistic given the country context;
- identify the scope for viable government-donor and other donor partnerships, for example with civil society or the private sector;
- identify the pros and cons of a sectoral versus a project approach² in terms of poverty reduction impact;
- explain ongoing reform processes, the approaches taken by different groups supporting the reforms, and reduce the risk of these groups, whether internal or donor, working at cross-purposes;
- identify intra-sectoral priorities according to their potential impact on poor groups, assess the need for targeting, and mechanisms for this;

Without an analytical step between broad country strategy and project and programme design documents, the risk is that donor interventions will be:

- ad hoc and less effective than if part of a strategic approach;
- inconsistent with government priorities and thus ultimately unsustainable;
- inadequately linked with the overall poverty reduction goal, resulting in lower impact.

Yet, although most donors recognise the importance of having a strategic sectoral framework for their interventions, the donors' studies either lack sector strategies entirely, have inadequate strategy documents, or provide a framework within each project or programme document.

² Sectoral approaches include both sectoral investment programmes (where the government and donors draw up a reform programme funded from a single, joint resource pool), and the sector-wide approach where the government and donors prepare a reform programme consisting of discrete government and donor interventions for which the funders maintain full accountability and control).

The donor record

Although Dutch aid to India has been concentrated in particular sectors for many years, there are no specific sector strategy papers as such. Sector policies are dealt with in the embassy's annual plans as well as in the country strategy paper, which emphasises greater attention to 'software' aspects of participation, health education etc. A similar situation of long-standing sectoral concentration exists for Germany, and it too lacks detailed strategy papers. It has, however, prepared papers for power and vocational training, and is considering or currently preparing papers on environment, irrigation, water supply and health. It also provides a sectoral assessment as part of the project document, as is the case for recent DFID projects (see below).

Denmark has begun a process of transition from project assistance to sector programme aid under its new country strategy. So far, however, it lacks detailed sector strategies for its India programme. Although guidelines developed in Danida's headquarters in 1996 did examine, in general, the potential linkages between sector programmes and poverty reduction, this does not address the many country-specific dimensions listed above. However, Danish consultancy firms have been hired to prepare elements of sector strategies. Sida has not initiated a similar change towards sector strategies, but the new country strategy was preceded by a number of working papers on different themes and sectors, mostly written by Indian researchers and consultants. The overall objective of poverty reduction was addressed in many of these contributions (published in the volume 'Sharing Challenges – The Indo-Swedish Development Cooperation Programme', Ministry of Foreign Affairs, Stockholm, 1997).

In the case of the DFID programme, there has been no formal requirement to produce sector strategies. Short summary strategies exist for all major sectors, but within the space of a couple of pages it is clearly impossible to develop a genuinely strategic framework or a tightly-argued analysis of what the scope for poverty reducing activities may be. These summary strategies reveal a very superficial analysis of poverty, if any, and rarely articulate the potential linkages between activities and poverty reduction. Although such summaries may set a direction by specifying areas for which funding is not available, the practical and operational benefits of these one or two page documents are limited. However, it is true to say that in many cases there exists a range of internal reviews and think pieces, especially but not only in the health sector. Although these do not have the status of strategy papers, in some cases they provide the basis for debate that contributes towards the development of a strategy. In addition, recent project proposals, notably in the urban poverty sector and, to a degree, the health sector, include a wide-ranging review of past experience which is integrated in the proposed project. Thus, to some extent, current strategies are defined in new and recent project documents, though this cannot be held to be a particularly satisfactory alternative.

It is interesting to note that when the DFID Delhi office was asked to provide samples of sector strategies, it did not include a substantial 45 page document entitled *Renewable natural resources strategy for India*, which was developed in London before decentralisation to the field took place. This provides a comprehensive survey of the Indian context, specific problems within the natural resources sector, an analysis of DFID's objectives, the performance of 19 ongoing natural resources projects, and develops a strategy for India centred on poverty reduction and environmental sustainability. Yet the fact that this document was not provided to the researchers nor referred to, provides a useful warning that sector strategy development should be a process which does not end with the production of the document.

The Commission has produced two sector strategy papers for education covering issues such as developing institutional, financial and human capacity, sustainability, monitoring and evaluation.

Both papers are statements of general principle, rather than relating directly to the context in India. The full text was not available, and while the papers may provide useful guidance to officials they appear unlikely to have the depth necessary to identify constraints and solutions with respect to poor groups in particular.

The case for a more coherent and comprehensive approach to sector strategies among all six donors seems strong. Sector strategies which address the issues identified above could potentially greatly strengthen the strategic approach and effective operationalisation of donor poverty reduction objectives.

Sector-wide approach/sector investment programmes

Denmark's transition from project aid to sectoral support is manifest in an elaborate policy paper on poverty reduction as well as comprehensive guidelines for sector programme support. It remains to be seen, however, to which extent the sector strategy will actually strengthen the poverty reduction objective. The Swedes favour a concentration in particular sectors, as is clear from the country strategy. However, this does not really amount to a sector programme approach, since it does not appear to draw upon clear sectoral strategies, rather it centres on the search for projects and programmes worthy of Swedish support.

The sector-based approach is increasingly followed by other donors, such as the European Commission and, recently, by the UK. The European Commission's 'Green Paper' has reinforced the commitment to a sector approach within the Community's aid programme. It has raised the question of gradually abandoning the project approach once and for all, and instead trying to strengthen the institutional framework and local capacity in tandem with direct budgetary and sectoral aid. This would be linked with a more realistic and less detailed set of conditionalities, backing a partnership based on policies and strategies rather than on activities and operations. The EC's endorsement of the sector approach is reflected in India in its large scale support of the District Primary Education Programme (DPEP) and of the planned Family Welfare sector reform. It has developed sector strategies for health and for education, and is currently developing a strategy for environment. However, these were provided by Brussels and not by the Delegation, casting some doubt as to how much they are living and practical documents.³ The Department of Economic Affairs is supportive of this shift in emphasis in the EC programme, arguing that the EC's lack of sector experience at the country level means that it is likely to be more effective when collaborating with the government and other donors, who possess greater technical expertise. The Commission's readiness to stay within the government's framework (e.g. in DPEP) and not to push its own agenda is widely appreciated within the government.

Those more directly involved in the India programme are strongly supportive of the shift from project to sector. There is a broad recognition that the EC's traditional channel of support, through piecemeal projects, has proved unsustainable, particularly in the rural development sector, which has long been a cornerstone of the EC programme to Asia. The policy decision has been taken only to support programmes with a strong sector reform component,⁴ alongside continuing co-financing of international NGOs. This conclusion is likely to meet with approval from member states, though it does not imply that they themselves will abandon project aid, since few of them face the same

³ The Technical Unit appeared to be unfamiliar with these strategy papers, arguing that it is not necessary to develop separate sector strategies where it is working with other donors. This is arguably only valid in the short term, and a thorough assessment of the nature of the constraints and opportunities in various sectors would help inform future investment priorities.

⁴ How this will be implemented in practice remains to be seen, since the Desk Officer for India indicated that sector-type projects may in practice consist of an agglomeration of individual projects, forming a programme.

degree of staffing constraints or ineffective tendering procedures for consultants (see chapter 5). In addition, it should be noted that there are not necessarily sufficient numbers of good sector reform type programmes available for funding by donors.

The UK had tentatively begun to provide or to consider providing sectoral support as opposed to project aid in four specific cases in India. DFID's support to the health sector in Orissa, largely by building health clinics, as well as some financing of training and policy issues, was found to be less effective than hoped, with serious problems of sustainability. As a result, the third phase plans to focus on institutional strengthening and improving the policy environment through funding at the sector level. DFID is also contributing to the national Health and Family Welfare sector programme and to the District Primary Education Project (which has some of the characteristics of sector aid). Finally, DFID and the Government of Andhra Pradesh are in the closing stages of designing a state-wide urban poverty programme which couples finance for infrastructure with municipal financial reform and a participatory poverty assessment. The hope is that the participatory assessment will allow for more accurate targeting of the poor and vulnerable. Support for decentralisation and reforming the municipal planning, decision making and financial management systems relating to urban poverty reduction activities is intended to enhance the sustainability and breadth of impact compared to the earlier generation of individual slum improvement projects.

The drift towards a sectoral approach has been strongly reinforced by the recent publication of the UK White Paper on International Development. Full partner countries will enjoy not only enhanced levels of resources and a longer-term commitment, but also greater flexibility in the use of those resources. This implies that where the UK has confidence in the policies, budgetary allocation process and in a partner's capacity for effective implementation, it will 'consider moving away from supporting specific projects to providing resources more strategically in support of sector-wide programmes or the economy as a whole' (DFID, 1997: 2.22). Sector aid is likely to be the preferred option, on the UK's part, since it offers a balance between enhanced ownership and control by the partner government, while retaining reasonable accountability with respect to DFID. The White Paper does not spell out the pros and cons of the sector aid instrument in terms of impact on poverty. It is clear, however, that where existing financial, managerial and institutional mechanisms at an all-India or state level are weak, sector reform may be the only way of achieving sustainable benefits, providing there is commitment from the recipient (for example the health sector in chapter 7).

It must be stressed, however, that the sector reform approach also presents risks. Chief among these is that working on upstream issues may lead to a loss of focus on the service users 'the poor'. The increased emphasis on capacity building is warranted, but it is not yet proven whether this will benefit the sector *per se* or whether it can also strengthen the poverty orientation. Great expectations are vested in strengthening policy dialogue, but in the Indian context it is an open question how effective this dialogue is going to be. The Indian authorities both at the union and state level have clear policy preferences backed by a well-entrenched bureaucracy, and poverty reduction is not necessarily their number one concern. In this context, it is particularly important when setting the reform agenda to trace the links between interventions at different levels of the system and potential benefits for primary stakeholders.

State strategy papers

Strategies may be drawn up at the state level which may also help to bridge the gap between broad strategic statements at the country level and detailed statements at the project and programme levels. A number of the donors studied do in fact produce state level reports which fulfil this function to

varying degrees. In the mid-1990s, the Dutch prepared studies of the poverty indicators in four of their focus states, covering AP, UP, Kerala and Gujarat. These papers could be used to provide the justification for concentrating further Dutch aid on these states, or they may simply serve to justify existing practice. At the end of 1997 the UK began preparing profiles of its focus states which are intended to feed into the ongoing process of country strategy preparation. These reports are not expected to provide very detailed analysis of poverty, and will therefore only provide limited guidance on the appropriate sectoral mix and type of interventions likely to generate the greatest poverty impact in each state. They are, however, an advance on the past, when no studies at all were conducted. The European Commission has no strategic state focus, and therefore prepares no state level strategy documents.

Danida in preparation for the new country strategy commissioned a study of the four priority states (Tamil Nadu, Karnataka, Madhya Pradesh and Orissa). This provided a general profile of the states, including numerous tables and figures concerning economic and social development and notably poverty. In the event other factors than poverty played a major role in the decision to concentrate on Karnataka as well as Madhya Pradesh. There has been no attempt to devise state strategies. Sida (i.e. the development section of the embassy in Delhi), in its attempt to concentrate the major part of its future assistance in one state (Rajasthan) commissioned and published a volume, 'Rajasthan. A State Study' (Sida, New Delhi, 1997). It contains a wealth of information about all relevant (and some irrelevant!) aspects of the state's economic, social and political profile. However, ultimately the concentration plans were substantially watered down, and there has been no attempt to formulate strategies at the state level.

4.5 Donor portfolios; an assessment

Trends in the sector content of programmes

Table 4.2 reveals growth in the share of Danish aid with substantial potential for poverty reduction from less than half of the total programme at the start of the 1990s, to over two-thirds by 1996. Aid to the 'modern sector' (capital-intensive assistance often benefiting Danish business interests) has in contrast fallen fairly steadily from over 40% in 1990 to a fifth in 1996.

Table 4.2: Sector shares of Danish aid disbursements, 1990–96 (%)

	1990	1991	1992	1993	1994	1995	1996
Potential Poverty Reducing Sectors:	43.3	49.1	56.9	71.7	60.1	57.8	68.2
Agriculture etc.	8.9	10.1	16.3	25.0	26.1	28.4	21.2
Health	18.2	20.6	23.1	20.7	19.3	22.5	39.7
<u>Water & sanitation</u>	16.3	18.4	17.5	26.1	14.7	6.9	7.3
Environment	0.0	0.0	3.8	3.3	4.1	5.9	6.0
'Modern sector'	44.3	44.7	33.8	19.0	30.7	27.5	20.5

Total:	100	100	100	100	100	100	100
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This shift into sectors with greater poverty reducing potential has, to a varying extent, been repeated in trends in the composition of the other European donor programmes considered here. For example, by all accounts DFID's current portfolio of projects focuses far more on poverty reduction than it did even five years ago. In the 1980s, direct measures to reduce poverty were largely limited to some admittedly large slum improvement projects. Even here, although these did address some of the broader dimensions of poverty, the accent was nonetheless predominantly on infrastructure provision. The lack of emphasis on poverty in the UK's portfolio at that time was partly a reflection of the DFID central policy framework which saw direct poverty reduction as competing with a range of other objectives. One of these was environment, and it can be seen that many of the natural resource projects, some of which are on-going, were designed primarily to meet the environmental objective, with far less thought given as to who would get the benefits. The increasing prominence of poverty as DFID's overarching goal has been reflected in the greater efforts being made currently. The approach is far more sophisticated, and poverty is addressed across a far greater range of interventions, including rural development projects such as two major rain-fed farming projects targeting tribal farmers, and a watershed project. In addition, education, health, and water and sanitation projects are beginning to be designed with poverty concerns as a major component, rather than fixing on issues of efficiency and quality in isolation from equity.

Assessing the PR orientation of the portfolio of interventions

Table 4.3 attempts to assess the balance of direct, indirect and other strategies for poverty reduction as revealed in each agency's portfolio of interventions for India. In discussion with agency officials a judgement was made as to whether each intervention sought to address poverty directly, indirectly or through other mechanisms for which the linkages with poverty reduction are less clear or likely to occur only in the long run.

Direct PR projects/programmes:

- interventions which address PR directly and seek to target the majority of their benefits to the poor/poor groups.

Indirect PR projects and sector/policy reform interventions:

- interventions with a plausible link between the activity and PR (explicit or implicit), which can be expected to bring substantial benefits to poor (though others may benefit);
- measures designed to promote pro-poor policy reform or increase institutional capacity to benefit poor groups.

Other projects/programmes:

- interventions which may bring benefits to the poor, but the linkages between the intervention and PR are less clear or likely to occur only in the long run.

There can be no assumption that attempts to benefit the poor through 'direct' measures will necessarily be more effective in promoting poverty reduction than indirect or other approaches. Direct interventions tend to be smaller in scale, with fewer potential beneficiaries, and their effectiveness is likely to be contingent on a supportive policy, economic and political environment. Equally, however, there is considerable evidence that poor groups may face particular constraints which prevent them from sharing fully in the benefits of population-wide interventions. This suggests that direct and indirect measures which pay particular attention to the design and

implementation to ensure that poor groups are not marginalised should feature prominently in a poverty-focused country portfolio. Furthermore, while ‘other’ interventions may contribute towards reducing poverty in the long run, there was little evidence of agencies attempting to quantify such benefits or put in place systems which would allow this in the future.

Table 4.3 shows wide variation in the degree to which each agency favours direct, indirect and other approaches to poverty reduction. It is striking that on average fewer than one in six interventions (by value) or 15.9% had a direct poverty focus, with virtually half of all interventions having no particular poverty focus whatsoever. The portfolios for Denmark, KfW, and Sweden had the greatest share of interventions with a direct or indirect poverty focus, while the UK had the greatest proportion of direct poverty interventions (31.5%).

The Netherlands considers that its primary contribution to poverty reduction is made through project aid, with the other half of its programme, import support (now debt relief) and budgetary support to government programmes, having little direct impact on the poor. The sectoral composition of the Dutch project portfolio has changed little over the past decade or more, and remains concentrated in land and water, rural drinking water, water transport and environment, though water transport has declined somewhat recently. However, the nature of the projects themselves within the portfolio has evolved considerably, with far greater attention being paid to specific mechanisms for targeting the poor in its drinking water projects. If project aid alone is examined and debt relief/budgetary support excluded, then the share of Dutch assistance which has a direct or indirect poverty focus rises from 43 to 86%.

The German government requires that its entire portfolio of projects possesses a direct or indirect poverty orientation. However, it is clear that these categories are based on a rather loose definition as to what constitutes poverty and thereby what type of intervention is poverty reducing and how. KfW considers its projects to have an indirect poverty orientation if over 50% of the target group can be classed as poor. The assessment of who the poor are is based on income levels together with indicators measuring other dimensions of poverty such as illiteracy and ill-health. To be classed as a direct poverty reduction project, it must go beyond simple redistribution of existing income to the generation of new income via economic growth. This is particularly important at the state and union government levels, where an expansion of the tax base is required to generate additional funds for implementing social sector programmes.

Table 4.3 Poverty orientation of donor portfolios (%)

	Denmark	GTZ	KfW	NLs	Sweden	UK	Average
Direct	21.7	7.8	2.4	14.7	17.2	31.5	15.9
Natural Resources & Environment	6.4	1.6	–	11.5	4.0	4.5	
Water	–	–	–	–	–	–	
Urban	–	1.4	–	–	–	11.7	
Education	–	–	–	–	7.0	15.2	
Health	14.4	–	–	3.2	6.2	–	
Modern/Heavy sector	–	–	–	–	–	–	
Other sectors	–	4.8	2.4	0.1	–	–	
Indirect	42.9	10.2	65.1	28.7	50.4	11.7	34.8
Natural Resources & Environment	14.2	6.4	11.8	4.7	24.2	0.2	
Water	18.3	–	23.6	17.1	9.7	–	
Urban	–	–	14.9	–	–	–	
Education	–	0.1	–	–	–	5.4	
Health	10.4	3.7	3.5	0.3	16.5	6.0	
Modern/Heavy sector	–	–	–	–	–	–	
Other sectors	–	–	11.2	6.6	–	0.0	
Other	35.4	82.0	32.5	56.5	32.4	56.9	49.3
Natural Resources & Environment	3.3	13.2	–	1.8	0.8	5.7	
Water	–	–	–	1.2	–	–	
Urban	–	–	–	–	–	–	
Education	–	17.7	–	–	–	1.4	
Health	10.9	–	–	–	–	10.3	
Modern/Heavy sector	21.2	20.3	19.0	2.6	31.2	39.1	
Other sectors	–	30.9	13.5	50.9	0.3	0.4	

Notes: Each agency's current portfolio of interventions was categorised by broad sector and the direct, indirect and other categories defined in the text. The figures indicate the share of commitments within each category as a proportion of total agency commitments in India. The categorisation was based on groups of interventions or 'sectors' in the case of the Netherlands, rather than on an assessment of individual projects. Information was not available to categorise the European Community portfolio. The categorisation necessarily simplifies more complex realities, but represents an attempt to make a broad assessment of the approximate share of direct, indirect and other interventions. The categorisation was discussed with officials within each agency, but does not necessarily represent the agency's formal view. In the case of GTZ, the categorisation used reflects the categories used by the agency itself. Half of the Netherlands' aid to India is provided as debt relief or budgetary support and is included under 'Other', 'Other sectors'.

Although KfW classified all its projects as having a direct or indirect poverty orientation, the figures indicated in Table 4.3 reflect an attempt to apply the same criteria as used with respect to the other agencies. This suggests that while only a tiny proportion of KfW's assistance has a direct poverty focus, nearly two-thirds does have a plausible indirect link with poverty reduction. In the case of GTZ, the agency's own definitions were used, revealing that as much as 82% of GTZ's assistance has no particular poverty focus. This reflects the fact that many of the projects undertaken by GTZ are specific training or research projects which do not include the poor as a target group.

The areas of intervention defined in the Sida document reflect the dual poverty and natural resources/environmental objectives. Thus, of the three main sectors selected, social sectors (education and health), energy and environment, and natural resources (soil, forest, water), only the first reveals clear links with the poverty reduction objective. Nonetheless, the social sectors have attracted a very considerable proportion of Swedish aid. Particularly impressive is the 1996 country strategy which envisages that over 60% of the budget will be allocated to the social sectors in 1997, though the planned gradual decrease to 40% over five years weakens the thrust. It is expected that the poverty reduction objective will feature together with its sustainable resource management objective, but it remains to be seen how the trade off between the two will work out. It is clear that the energy and pollution sector will have very little focus on poverty, which is true also of the new and growing consultancy fund and the envisaged 'exchange' of experiences and expertise in technical and scientific matters between the two countries. Thus whole substantial parts of the future programme will have very little relationship with the poverty reduction objective, and these parts of the strategy are those which are particularly interesting for Swedish business interests and the broader Swedish 'resource base'.

4.6 Recipient-donor dialogue on poverty reduction

Context

Dialogue takes three main forms. First, most donors hold annual bilateral aid talks with the Indian government; secondly, through the continuous process of interaction between the donor and senior Department of External Affairs (DEA) officials, within the Ministry of Finance; and finally, through more sector-specific contacts between donor experts and line ministries at central or state level. To this may be added the recent (and limited) donor-state dialogue, covering macroeconomic and state-wide reform issues rather than simply sectoral or project-level matters. The most obvious point to make is that it has been quite rare for poverty to be discussed in depth as a generic issue through any of these channels, though this may be improving slightly. The second point is that donors universally see themselves as having little leverage given the paucity of their resources relative to those of the government, and in the face of the sheer scale and diversity of poverty in India.

Although the overall recipient-donor relationship is reasonably positive, both identify factors which constrain the effectiveness of dialogue, and thus potentially limit scope for pro-poor changes. One DEA official contrasted the recent high-profile OECD DAC document, *Shaping the 21st Century*, which is full of confidence in recipients to manage their affairs, with the patronising attitude of most donors. This lack of confidence in Indian capacities was, he argued, very detrimental to good relations. Interestingly, his conclusion that India, unlike many other developing countries, has a highly developed administrative system, even though its implementation is sometimes flawed, is one which is shared by some of the European donors. It seems likely that there is some substance behind the feeling that donors may underrate government capacities and push for high levels of donor control as the only means of 'guaranteeing results'. This is maybe more true of the more 'hands on' donors such as Denmark and the UK, though some concerns have been expressed about the German and European Commission insistence on providing technical support in the field to projects. Some within DFID themselves speak of the dominance of a culture of micro-management, driven by a belief that change occurs only in response to external pushing and control. There is some awareness of this among senior management and indeed some field management offices have been requested by the Delhi office to adopt a more 'hands off' approach.

Equally, there are concerns expressed on the donor side. Many feel, for instance, that the Department of External Affairs which is largely concerned with securing donor financing and allocating it as far as possible to meet Indian needs. However, it is indifferent to dialogue on poverty reduction and tackling issues of pro-poor policy reform.

It is likely that state-level dialogue may be more fruitful in terms of the poverty reduction objective. This is partly a question of leverage. At the state level, donor financing, particularly when taken together, often accounts for a very significant share of new investment (plan) expenditure within individual sectors. Indeed, all the bilateral donors cherish the idea of less bureaucratic and centralised dialogue. A concerted effort was made to have the principle of direct donor-state dialogue accepted at the 'India Development Forum' meeting in Tokyo (September 1996), but this was rejected. The government has long preferred to retain central control, partly because of a fear that development aid may become even more lop-sided in its state-wise distribution if donors are free to deal directly with their 'pet' states. However, there are encouraging signs of a greater openness on this issue, partly as a result of the general drift towards greater decentralisation of government.

DFID sees great scope in state level dialogue as an important vehicle for taking the reform agenda forward, in the social sectors and the power sector especially. At a more macro level, DFID has had some initial involvement with the World Bank in discussions with Andhra Pradesh concerning a state level structural adjustment programme. DFID sees this as an opportunity to review with the state government DFID's entire portfolio of projects and then set clearer priorities for the future. The degree to which these priorities would have poverty reduction at their core is not yet clear, however. Nonetheless, increased state level dialogue should make it easier for DFID to forge closer relationship with government and project partners, and to gain a better understanding of the local context and thus improve effectiveness. To the extent that dialogue has taken place in the past, there has been criticism that it has concentrated almost exclusively on government officials, drawing very little on NGO insights (van Diesen, 1998). Even if this is not entirely justified, it is damaging to DFID's attempts to build a broad-based and poverty focused partnership at the state level. Christian Aid's recommendation that greater transparency be pursued, perhaps through a forum which allows Indian NGOs to comment on British aid, appears worthy of consideration, and applies equally to other donors.

Sida has also, like many other donors, been pushing to be able to deal more directly with states. Despite the principle that everything must pass through and be approved by the Government of India, it has in practice had meaningful discussions with the Government of Rajasthan. Discussions with the Governments of Tamil Nadu and Orissa have been more limited and less positive. The Dutch also engage in serious state level discussions in Uttar Pradesh and Andhra Pradesh, largely with the Department of Planning (DoP). While the main focus of the DoP is felt to be funding rather than policy discussions, there is an awareness at this level of the importance for poverty reduction of participation of local people in development interventions. The Dutch consider this dialogue, and especially that with the individual line departments responsible for implementation, to be far more important than national level discussions. Their feeling, that it is the personality and effectiveness of the individual concerned which determines progress, is shared by the other donors (and by officials on the government side vis-à-vis the donors).

The European Commission has been hampered by its staffing constraints and its organisational structure. At the moment, dialogue operates at two levels. Firstly, the broad orientations, procedures and political aspects of dialogue are discussed in principle between the EU delegation and the Department of External Affairs. This information is relayed to Brussels, where the final decisions are taken in consultation with the member states through the Asia-Latin America Committee. All technical matters have to be referred back to Brussels, yet despite this the Indian government side is not authorised to undertake discussions directly with Brussels. Many EC officials, in the Delegation and in Brussels, feel that dialogue would be far more effective if the Delegation was given more powers and sufficient technical expertise was available at the Delegation level. The Delegation-level education coordinator, for instance, felt that dialogue was compromised by the excessive reliance on consultants, and the resultant lack of continuity made it more difficult to build up an effective long-term relationship. Playing a real part in the policy dialogue process, she argued, required intensive participation.

It should be added that lack of continuity is at least as serious a problem within the Indian government. Senior and middle-ranking officials change jobs, often changing departments, within 3 years, and sometimes much more regularly. The internal administrative arrangements appear to reduce the chances of promotion within the same location, resulting in very high levels of disruption. In addition, rural positions are highly unpopular, with money changing hands within the 'transfer industry' to ensure a more desirable (and sometimes lucrative) urban position.

At a somewhat more formal level, the European Community programme is shaped by dialogue through a Joint Commission, held on a roughly annual basis. This is attended by the Director General of DG1b, responsible for the Asia, Latin America and Mediterranean programmes, by the Government of India Department of External Affairs, and by the EU member states. Broad strategies are discussed and agreed in this forum, and more detailed work is carried out in the Sub-Commission fora on Development and Environment (attended by the EC officials and Government of India only). Although this does allow senior level officials to meet directly and helps ensure coherence and coordination with the EU bilateral programmes, it remains the case that more regular dialogue is scarcely facilitated by the Commission's organisational structure.

Evidence from the bilateral aid talks

Differing emphasis is placed on this mechanism among the donors examined. Both the Dutch and the Danes consider the annual bilateral talks to be a rather formal affair, largely a presentation of their respective viewpoints, at which confrontation is avoided. Danish talks have reviewed the programme sector by sector and project by project, addressing specific problems rather than larger

strategic issues. Germany has perhaps had more success than most in achieving concrete results from its bilateral talks. BMZ and GTZ give great weight to the principle of self-help which they have sought to promote through the Small Project Fund and the Self-Help Fund. The sticking point was the principle that Germany funds be made available directly to NGOs without any formal agreement with ministries. This was ultimately accepted at the 1993 bilateral talks after much discussion and debate, assisted by the close personal relationship existing between the heads of the two delegations. This issue has, however, resurfaced in 1996, when the Indian side expressed their dissatisfaction at their total lack of control over this element of the German bilateral programme, and KfW fears that greater controls on NGOs will soon be imposed.

The UK views the annual aid talks as being less significant than the regular interaction with the Department of External Affairs, although their scope has broadened in the past two years. The record of the most recent talks reveals that some attention was given to the issue of poverty reduction, with the DFID asking what steps the GoI and state governments were planning to take to meet the OECD DAC target of reducing by half the proportion of people living in poverty. More attention was given, however, to the scope for more direct relationship between DFID and its focus states, which met with an unexpectedly positive response on the Indian side. The original motivation of the DEA for increased openness to state level discussion was to get projects moving faster and to increase disbursement rates, but there are, as mentioned earlier, the beginnings of greater openness to policy dialogue.

5. Operational Aspects of Aid for Poverty Reduction

Turning poverty reduction objectives into effective operations depends on a range of factors including the structure of aid organisations and staff deployment, their approach to conditionality, targeting and coordination. There are considerable differences among the six agencies in regard to these aspects which are examined in this chapter. In the space of a few pages it is not possible to do justice to the complexities of each donor's operations or to the intentions that lie behind the management systems employed. We should also qualify our work by restating once more that our approach is from the perspective of poverty reduction and that this may lead us to downplay or neglect other important factors and considerations that lie behind donor practices.

5.1 Organisational structure and personnel

One of the most notable features of the six donors is the difference in the degree to which they have decentralised their country level operations to date. While decentralisation can take several forms, three of these are of particular relevance to the nature and role of donors in India: first decentralisation whereby the country-level capacity is merely that which is deemed necessary for the daily management of the aid portfolio and for the channelling of information back to the headquarters (HQ) while communicating and implementing policy downwards. The HQ remains the nodal point for decision-making, retaining country and regional capacity as well as being the main location for sectoral expertise. The second form of decentralisation involves the partial division and partial replication of the institutional capacity between the HQ and the country level office in Delhi; for example some sector and country expertise located in Delhi with country, regional and cross-sectoral expertise at the HQ. The formulation of country strategy, sector programmes and decisions as to the composition of the project portfolio remain at the HQ with country-based inputs. The third form of decentralisation involves not only the decentralisation of personnel and institutional

capacity to the country office, but also the devolution of decision-making competence with only the overall budget and donor policy framework being decided at the HQ.

Within these three options lie a number of other variations including the decentralisation of sector expertise to the country, based in specialised sector units; the regionalisation of capacity at either HQ or within the region (South Asia); the vertical segmentation of capacity into institutions responsible for financial cooperation on the one hand and technical assistance on the other; or the decentralisation of responsibilities together with the indianisation of country level personnel, to name but a few.

German aid has perhaps the most centralised organisational structure in which the Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ - Federal Ministry for Economic Cooperation and Development) is the ministry in charge of German aid, but then divides its aid between Financial Cooperation (FC) and Technical Cooperation (TC), with the Kreditanstalt für Wiederaufbau (KfW) as the institution responsible for FC and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) as the institution responsible for TC. While BMZ has a Development Counsellor attached to the embassy in Delhi, KfW and GTZ both have their own separate country level offices in Delhi.

Informally, there is a degree of cooperation among the three country level departments, but formally the lines of accountability are vertical with coordination and overall responsibility for everything from country strategy to project selection lying with the India Section of BMZ in Bonn. KfW is itself highly centralised with only one Project Coordinator in the office in Delhi. All sector and country expertise is located within country and regional units at KfW's HQ in Frankfurt. GTZ is in the process of moving towards a more decentralised organisational structure, but there are only three non-project officers in India at the Delhi office and country and sector expertise is located in a unit at GTZ's HQ in Eschborn. To emphasise the centralised nature of German aid is not to ignore the fact that project officers and other country-based staff are procedurally involved in policy development and project assessment or that management authority in implementation lies in India, however. It is perhaps the tripartite structure of German aid with GTZ and KfW implementing BMZ's country programme that reproduces the central role of Bonn and the German end of the organisational structure.

At the other end of the spectrum is UK aid to India, administered by DFID, which has since January, 1996, been managed by a country aid management office, the British Development Cooperation Office, Delhi (BDCOD). UK aid allocations to India, although considerable, are well below those of Germany. The shift from a London-based Development Division to BDCOD was therefore not so much linked to the scale of the aid programme but more to a perceived need to increase effectiveness and to make it easier to pursue the central objective of poverty reduction according to DFID. It is a move that has been watched with some interest by the other donors, and it should be noted, some envy by other country level offices.

With respect to the other EU donors, Sida, Danida, and DGIS are all closer to the decentralised end of the spectrum. Each possesses a significant country level capacity in terms of personnel and sector-based expertise relative to their scale of donor involvement, but at the same time retaining a strong country and sector capacity at their respective HQs. From January, 1997, DGIS devolved decision-making with respect to projects down to the Dutch embassies, with the ambassador as the principal head. The increased country-level autonomy this created was restricted however through a change in the budget structure for development cooperation, from a country specific budget to a thematic or sector-based budget system. This has caused problems at the country-level as funds

cannot be moved from one sector budget line to another and changes have subsequently been made in 1998 to try and improve the situation.

Danida has a relatively well developed administrative capacity at the country-level with a relatively large field presence (cf Section 5.6). Development cooperation is in fact the main item on the embassy's agenda with the ambassador closely involved. In addition to the development counsellors at the embassy, Danida has also experimented with special sector units. In the past there have been such units in health and drinking water and at present there is a 'Watershed Development Coordination Unit (WDCU)' located separate from the embassy. This is somewhat similar to the Field Management Offices (FMO) operated under BDCOD. WDCU administers Danida's watershed projects, but has to refer back to the embassy. The division of labour and responsibility between the unit and the embassy has been a problem and a proposed similar health unit has not been established as yet.

In Delhi, Sida is incorporated into the embassy and therefore is under the authority of the ambassador, but in Stockholm it remains a separate entity from the Ministry of Foreign Affairs. Fears were expressed in Sida, Delhi, that the country-level integration might bring other concerns than development to bear upon development assistance. Some connected to Sida's aid assistance in India believe this to have occurred.

The EC remains something of an exception in that it has a remarkably small staff in Delhi, given the scale of its aid in terms of volume. There is a Development Counsellor responsible for India with a staff consisting of two consultants, two local project officers and an Education Adviser. In addition to its responsibilities with respect to the EC commitments to India of some 1 billion ECU, this very small number of staff also has some responsibilities for EC aid to Nepal and Bhutan. Most of the decision-making power resides in Brussels, but the Technical Support Unit in Brussels is also extremely small, with the equivalent of only 1.5 full-time staff working on India. The EC Delegation has no delegated authority to make anything other than small local payments, which reduces disbursement rates and effectiveness. This was disputed by an official in Brussels, who argued that the Delegation may be unaware of the degree of influence that it has, and that although formal decision-making power rests with Brussels, the Delegation is the driving force given its superior information base.

The Department of External Affairs of the Government of India finds it extremely frustrating working with the EC as all negotiations must go through the Delegation in Delhi despite the fact that this is effectively a disempowered body. Even the smallest of issues can take a very long time to resolve causing long delays in disbursements etc. This is in strong contrast to the German system, which despite being centralised, enables Indian officials to be in direct dialogue with counterparts in Bonn. Although an internal reorganisation of the European Community aid programme is underway, and a separate Common Services implementation Directorate has been created, it is uncertain whether this will bring rapid organisational change.

As indicated above, the nature of the decentralisation varies considerably and involves a number of factors including staffing levels, location of country/sector expertise, location and level of decision-making responsibilities particularly with respect to projects, sector programmes and country strategy. Where do the crucial inputs come in? Where are decisions on content etc., made in practice as opposed to formal acceptance? In the following table we have made a preliminary attempt to present the donors' organisational profiles in order to illustrate the different ways that the goal of effective aid operationalisation has been pursued.

It is difficult to make a clear judgement as to the merits and failings of the different organisational structures to be found amongst the donors. Some of the donors can be seen to have taken decisions that facilitate a more effective delivery of aid for poverty reduction in India, the UK's establishment of a DFID aid office in India for example. In other cases, the weight of a historical legacy in which the organisational structure of aid delivery was based upon considerations present in the donor country, for example KfW in Germany, makes such a reform difficult even if it was felt to be necessary. In such cases, the prioritisation of poverty reduction requires a different form of organisational change.

While accepting that organisational structure cannot be simply interpreted as reflecting the donor's preferred mode for achieving poverty reduction in India, discussions with the donors have nevertheless revealed a number of perceived advantages with both centralised and a decentralised approach to aid in India.

The advantages of decentralised organisations

The advantages of having a strong country-based representation with a degree of decentralised authority in project and policy matters were seen to be the following:

- Inter-donor coordination requires a considerable pool of competent well-informed staff if the large number of working groups existing are to be attended in addition to the other administrative work required of country level staff.

Table 5.1 The organisational structure of the six donors (as of December 1997)

Donor	Number of India staff at HQs ^a	Number of India-based donor staff ^a	Is donor organisation an integral part of embassy?	Main location of sector expertise	Main responsibility for preparation of sector programmes	Main responsibility for project selection	Specialised sector units in India	Aid allocation 1996–7 USD (million)
BMZ (GTZ and KfW)	13	5	No	HQ	HQ	HQ	No	58.8
Danida	2+2	6	Yes	Country and HQ	Country and HQ	Country and HQ	1–2	36.8
DFID	0.5	32	No	Country	Country	Country	7	164.8
DGIS		8	Partial	Country	Country and HQ	Country	Yes	35.1
Sida	1	4	Yes	HQ and Country	HQ and Country	HQ and Country	No	27.4

EC	2	5	Yes	HQ	HQ	HQ and country	1	99.3
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Notes:

^a Numbers refer to person years, which may represent the part-time input of several staff. All numbers are best approximations available.

- Internal donor sector coordination is not possible on a country level unless there are Chiefs of Sector programmes or their equivalents within a donor organisation at the country office.
- One of the main problems faced by donors is that they are formally required to play a reactive role to projects, responding to project proposals that have already progressed through the initial identification and design phases. In fact and informally country-based staff do play a pro-active role but often do not have the personnel resources, both in numbers and expertise, to support such a role. For example, two thirds of KfW's projects are described as having emerged from a pro-active engagement by the donor. One reason for this is that some 95% of project proposals that they receive are poorly conceived and designed.⁵ To quote one anonymous source: 'They reflect weak policy, poor representation in the design, obscure ideas emanating from the Indian government, with a communication to the State to say that 'the Germans have money for such and such.... and a project idea is being thrown together accordingly'. Other donors have

⁵ A Commission official also indicated that the quality of projects proposed by the GoI was often quite low, with donors scrambling over each other to fund the better ones. However, it was often preferred to agree to fund a less-than-ideal project and try to improve upon it, since projects initiated by the donor could take a very long time to receive official sanction.

expressed similar problems. An example was provided by one of an Indian engineering consultancy firm designing an urban pollution project which required a high level of community involvement in the planning and implementation process. The local community was inappropriately defined by the company as those households within 50 metres of the drainage canal. Country level capacity in the donor organisation is seen as being central to improving the quality of the project proposals received. This is ideally done in collaboration with Indian partners, and thus can contribute to capacity-building.

- Two other areas in which a greater capacity at the country level is seen to be an advantage are: i) improving the scope for cross-state replicability of projects and programmes by being able to provide technical support to ensure that lesson-learning is effective; and ii) at the national level by building capacity for the monitoring and assessment of sector programmes.
- Developing sector-wide approaches necessitates working closely with Indian Union government and state level institutions. It is arguably easier for donors to support policy reform and to build in appropriate indicators or conditions, where they have strong country-based sectoral competence. It is also important that this donor capacity is seen to be there by the Government of India, and DFID argues, for instance, that its increased country-based expertise has enhanced its perceived effectiveness and its negotiating position with the Indian government.
- Linked to this, is the importance of significant country-based capacity if the donor is to go beyond merely providing budget support to line ministries for particular projects. This requires not only technical assistance in the form of project advisers, but close monitoring and feedback mechanisms to help ensure that objectives which are particularly prized by donors are achieved, such as community planning or user groups and cost recovery.
- A strong country-based capacity within the donor organisation is seen by some donors to be an advantage for developing a greater awareness and sensitivity to local contexts and local thinking, as well as for developing close local contacts based upon personal relationships etc. For their part, Indian officials have expressed the view that a number of problems could be avoided if donors were better informed and more attuned to local contexts. Some donors argue that a better understanding of state (and union) level political economy is important if real change is to take place and aid is to bring about a genuine improvement. The UK, for instance, supported primary education in Andhra Pradesh for more than a decade, yet saw the budget share allocated to primary education by the Government of Andhra Pradesh fall. While the aid sustained an important programme, it failed to enhance it for reasons that might have been better explored with the state government at an earlier stage.
- A strong country-based capacity is also important for enabling a more inter-disciplinary approach to development aid in India and on the spot resourcing of needs as they arise. These needs may often be met most effectively by using local experts. The UK⁶ recognises this and DGIS, Sida and Danida also appear to, but the effective selection and supervision of such experts tend to require a depth of knowledge which comes from having expertise at the country level.

⁶The UK has a policy of promoting the greater use of Indian staff at the expert as well as the administrative level. This is designed to draw upon local knowledge, such as through its imaginative secondment of a Government of India employee as an Institutional Development Adviser, as well as to reduce costs (total employment costs of UK staff are about 10 times those of local staff). Currently, the UK aid office has 3 Indian staff at the adviser level, and a further 11 at the professional level. There is a training programme in place to upgrade the skills of existing and new Indian staff.

Some arguments for decentralisation

Countering the arguments for a strong country-based representation for the donor are a number of advantages claimed for a strong HQ-based country capacity and sectoral expertise:

- It facilitates a process of learning by experience across the whole donor programme, and especially at the regional level, since sectoral expertise is often organised in regional units within the HQ. The accumulation of knowledge, with respect to innovative organisational and management practices in programmes and projects, can then be ‘sent out’ to individual countries when the need arises.
- A related point is that by making the donor HQ the focal point for strategy and policy, it may be easier to ensure that full recognition is given to the most recent thinking on poverty reduction or on methodologies for monitoring and assessment. This will strengthen the link between development theory and practice.
- It brings a greater weight and authority to the decision-making process and, in particular, to the annual bilateral negotiations at union, state, and ministry levels.
- The location of country or regional experts at the HQ together with the presence of a strong technical advisory support for sectoral and cross-sectoral programmes is a more rational and cost effective use of donor resources. It should be noted that DFID acknowledges that there are higher costs with devolution and delegation, but argues that these are justified by increased effectiveness. Increased costs can in part be contained in the long-run by the greater use of Indian staff at the professional level. DGIS estimates that delegation of staff (and responsibilities) to embassy level has increased costs between three and four hundred per cent over the costs of the same at the Hague.

While it is not easy to make a judgement as to which model can best be seen to achieve a more effective poverty reduction in aid, there are several points that would argue strongly in favour of the more decentralised approach. Poverty reduction requires more than the promotion of economic growth through investment in infrastructure, support to the leading sectors in the economy, and the improvement of the social sectors to benefit those disadvantaged groups not directly aided by the first two. Poverty reduction also requires locally researched knowledge of poverty, good targeting of the poor and, not least, the involvement and active participation of the poor themselves. They must be encouraged and supported to enable them to become actors in their own development. This relies on the government and donors working together actively to bring people into the dialogue on development and seeking to link local development with national development. To do this effectively demands greater expertise at the country level and below.

Donors have recently given increased emphasis to sectoral approaches to development (see Chapter 4). Sector-wide approaches may be defined as ‘a medium-term collaborative programme of work concerned with the development of sectoral policies and strategies... the establishment of management systems by governments *and* donors... and institutional reform and capacity building, in line with agreed policies’ (Cassels, 1997). This implies an *ongoing* collaboration between government actors and donors, to develop policy frameworks which link strategic analysis with resource allocation decisions, building government capacity to lead the process of sectoral development, the development of appropriate incentives for the public and private sectors, and the development of common management systems which also provide financial accountability. This

kind of close collaboration with the government and partner institutions and an understanding of the constraints and the opportunities present again arguably requires a strong country level expertise.

A third factor is the sheer size and institutional structure of India and the demands this places upon a donor. On the one hand it is the need to work at union, state, district and local levels and to be able to negotiate the intricacies of moving across and between the political, administrative and socio-cultural boundaries and spaces that exist. On the other hand, it is the sheer scale of the poverty problem, upwards of 400m people close to or below the poverty level. It is estimated that if the states of India were taken independently, 6 of them would be in the 20 poorest countries in the world. Given these facts, it is questionable as to whether aid to India can be efficiently and effectively administered from a distance and that pragmatic reasons alone may well explain the shift towards decentralisation by some of the EU donors, whether through transferring personnel to India or through the greater use of Indian personnel or both, as well as some devolution of budget responsibilities to country level offices.

One final point to emerge during our study; the Indian comments appear to reflect a preference for the country-based expertise as it aids the daily administrative cooperation between the bilateral parties.

To sum up: there are advantages and disadvantages associated with both the centralised and decentralised approaches. However, from a poverty reduction perspective, if not a general aid-effectiveness standpoint, the advantages cited of a strong country-based representation appear to be considerable. The disadvantages indicated also carry weight: the accumulation of cross-country experience within a decentralised system can be a problem, for example. However, the improved potential for effective coordination, capacity building, replicability, monitoring systems, use of local expertise and increased understanding of the local context cannot be ignored. The net balance of advantage has of course to be weighed against the likely extra cost of decentralised operations.

Appropriateness of staff resource levels: the case of the European Commission

Clearly, the effectiveness with which aid is used to support poverty reduction depends not only on the type of donor management system and its degree of decentralisation. The number of donor staff available to manage those aid resources, the range of skills which the agency can draw upon, and the competence of those staff are also important factors. Here, the position of the European Community aid programme should be examined. For its task the Commission has the equivalent of only 7 full-time staff to implement its mandate. The EC delegation in India comprises only 5 staff (2 are officials and 3 are locally recruited. Not one of these is an expert in the sectors of health or education, the two largest programmes in the EC portfolio. In contrast to the UK programme, for instance, the Delegation lacks both sectoral and cross-cutting (gender, institutional development, social development) expertise. They are therefore reliant first on technical support from Brussels, and secondly on consultants. However, the EC Technical Unit for the whole of Asia comprises only 12 people, who collectively provide about 1.5 'person equivalents' for the India programme. There is a single specialist on education for all of Asia, and one for health. There are a few experts covering the 'horizontal' issues such as environment, forestry, and women and development, but these can offer only a very limited input into the India programme due to the scope of their remit. In addition, there is a desk officer responsible for India, who takes a lead in strategy development, but whose mandate is to spend at least half of his time on political and trade-related activities as opposed to development cooperation.

The Commission is therefore extremely dependent upon consultants for the design, implementation and monitoring of their programmes. However, the system for tendering for consultants is widely acknowledged to be unsatisfactory. A separate unit, known by some within the Commission as ‘the black hole’, situated outside of the technical unit and the country desk, is charged with managing the tendering process, with a representative of the technical unit as one of the evaluators. The emphasis is on the transparency of the selection process, resulting in legalistic considerations predominating over technical quality. There is no pre-qualification procedure to ensure a minimum standard of technical excellence, and the pool from which the EC can draw is severely limited by the fact that it pays significantly lower rates than other donors. The importance of ensuring a ‘fair’ balance of nationality in the allocation of contracts among the member states can be argued to compromise the quality of technical expertise provided. In the health sector, the cost of preparing bids, which may amount to 20,000 ECU, and the lower rates offered have drastically reduced the scope to involve institutes of public health, which may well have highly appropriate expertise for the projects. Several officials commented that the quality of the consultants was in part a matter of chance, and that the procedures for dismissing consultants were very lengthy, resulting in the least-cost option often being to put up with mediocrity.

A final and perhaps the most serious flaw in the procedures is the fact that those technical experts who have been involved in project or programme design are automatically excluded from competing at the implementation phase. This is intended to ensure fair competition, yet it can have negative consequences for effectiveness. An example is the reproductive and child health sector programme, to which the EC has allocated 200 m. ECU. A team of EC consultants spent about 9 months in India working with other donors and the Indian government on the design of the programme. This same team was thereafter unable to tender for the implementation of the programme. Given the EC’s limited staff resources at the Delegation and the Brussels level, the ineligibility of the team represented a significant loss of knowledge, established rapport and trust involving the consultants, the government and other donors. In addition, the re-tendering process is slow, resulting in a significant loss of impetus. EC officials are understandably frustrated by procedures which they perceive as undermining their attempts to deliver an effective and poverty-oriented aid programme.

The main burden of responsibility for this appears to lie with the member states. For long they have been sceptical of the Commission’s ability to implement its aid programme effectively and have favoured the reliance on consultants. Member states have also failed to support the decentralisation of decision-making authority and personnel to the country level, preferring to retain greater control through their representation on the Brussels-based Councils and Committees. Clearly, with only 12 technical staff covering all of Asia there is no immediate scope for decentralising personnel to the field, and without providing for greater sector expertise at the Delegation level decentralisation of decision-making is also problematic. A significant expansion of staffing levels in Brussels and at the country level is essential if the Commission is to fulfil its mandate effectively.

5.2 Policy conditionality with respect to poverty reduction

There is similar considerable variation both in the degree to which EU donors are prepared to attach conditions to their aid and the type of conditionalities that they are prepared to impose.

Germany (BMZ) imposed conditions for the receipt of aid or for the continuation of aid to a project or programme in India. This has particularly been the case with financial cooperation projects carried out under KfW. It has very strict guidelines concerning the sectoral framework conditions necessary before a project is accepted. Sectoral reforms are often demanded. This has been the case

with projects for river lift irrigation in Orissa, water supply in Rajasthan, power supply in Madhya Pradesh. In several cases disbursement of funds has been delayed or stopped due to a failure to carry through the reforms required. KfW has been described as being tougher than the WB in its sectoral requirements prior to aid disbursement.

In the public goods areas of water supply, sewerage, minor irrigation and waste disposal there has been a growing insistence for consumption-based fees being collected and for the systems to be placed with elected local authorities, i.e. municipalities. For example in the case of support to water supply in West Bengal which began in 1997, KfW insisted upon tariff collection being brought into the existing system and were surprised to find that it was not rejected by the Left Front Government. It should be noted that capital cost recovery has not yet been attempted by BMZ/KfW.

There has also been an element of conditionality with respect to the selection of the institutional delivery system, in particular the use of local NGOs and of the decentralised institutions of local government, where they exist. The agreement of the Indian government to the Self Help Fund and the Small Project Fund in 1993 almost became a condition for the whole German aid package.

For its part, GTZ is less willing and/or able to make such demands prior to agreeing to a project or disbursing funds. Most of its projects are much smaller than those of KfW, and it lacks the political and economic clout to push through such demands. On occasions, GTZ has provided a technical cooperation project component in support of the sector framework reforms required prior to the disbursement of funds for financial cooperation. The Indian state officials have not always accepted the preliminary technical cooperation input. For example in Himachal Pradesh with the Changar Eco-Development Project, an informal suggestion came from the Indian side that the technical assistance be dropped and that they proceed immediately with the financial support.

Dutch aid appears to follow a similar line to KfW with quite strict demands being made as to the organisational and management systems they require to be set in place in order for a project to commence. In some cases this has resulted in long delays between the reaching of a project agreement and the commencement of a project with the concerned state government. In the recent case of a Dutch rural drinking water project in Karnataka, the Government of Karnataka regarded the requirements on such matters as personnel recruitment, tendering etc. as unwarranted intrusions into their internal affairs and management systems.

The Dutch have also applied more general conditionalities in the annual negotiations with the Indian government with respect to the overall objectives of Dutch aid and specifically with respect to the proportion that should be devoted directly to poverty reduction.

Danida does not tend to employ policy conditions in its development aid and this appears to be appreciated by the Indian counterparts, a joint secretary in one of the central ministries stating: 'Danida never tries to ride roughshod over the recipient'. Conditionality has been imposed occasionally within individual projects however, in Tamil Nadu a condition for Phase III of a health project was that the Panchayati Raj Institutions should be involved, against the wishes of the then AIADMK government. In Karnataka, Phase II of a Integrated Rural Sanitation and Water Project included the condition that cost recovery for operation and maintenance costs be introduced.

Sida must also be considered as employing only 'soft' conditionality. One exception has been in the proposed extension to the Social Forestry Project in Orissa. Here Sida has set down a number of demands that must be met before a project agreement can be reached. There have been a number of problems with this project both in terms of the success in meeting the intermediate objectives with respect to participatory social forestry and in the Sida-Forest Department relationship. For the

extension, Sida will support only aid to local institutional capacity building whereas the Ministry for Environment and Forests and the Forest Department in Orissa would prefer finance in the form of budgetary support to continue their programme. It appears unlikely that the programme will be extended.

Projects and programmes funded by the European Community aid programme have involved strong financial conditionality. The clearest example of this came in 1991, when European Community aid was suspended to India. The Commission officials were unhappy that it provided its resources to central government as a 100% grant, which was subsequently on-lent to states as 70% grants and 30% loans. The Commission considered that this provided no incentive to states to use these funds for poverty-focused activities, which themselves would not generate a return to facilitate loan repayment. Within a year, the Commission received an undertaking that funds provided in grant form would be provided to states in grant form. A further example is the strong line taken by the Commission with respect to the ongoing Reproductive and Child Health Programme. Here the Commission indicated that it would be prepared to withdraw its support for the programme unless the GoI was prepared to demonstrate that donor funding would be genuinely additional to existing government expenditure.⁷ This was successful in obtaining a commitment from the GoI that donor-support for the health sector would result in a real increase in the resources available to the health sector. At the core of its success lay the decision of the donors to work together from the start, to develop a common platform. Without such guarantees, donor resources are fungible and may be used by the GoI for expenditures in other sectors, including defence.

A similar line was taken with respect to the District Primary Education Programme, where a guarantee of additionality and commitment to decentralisation was obtained, and in which the funding is released in tranches dependent on results. A further illustration within DPEP of the effectiveness of donors acting in harmony relates to government agreement to speed up the devolution of power from the centre to the district. In implementing its support for DPEP the European Commission has differed from the bilaterals in not tying its resources to any particular state or districts. This is widely appreciated by the GoI, who agree with the Commission that this serves to reinforce ownership. This relies on both parties having confidence in the policy framework and monitoring mechanisms. While the European Commission is seeking to fund capacity-building measures other donors, such as DFID, consider that they can provide financial and technical support most effectively through a closer involvement with two individual states. To this end, DFID have sought to exercise quality control, in partnership with the Government, over district level education plans, to ensure that decentralisation of decision-making to the local level occurs in practice.

A common point in several of the donors has been the use of conditionality in support of the decentralisation of government in India. Examples mentioned above include Danida, BMZ-KfW and the European Commission, but this appears to be a growing factor for all of the EU donors. In so far as Panchayati Raj⁸ involves the democratisation of local government and an increase in the accountability of local administration to the elected local authorities, it can be argued that it has a potential pivotal role in furthering poverty reduction, particularly in rural areas. West Bengal has demonstrated that where there is a political will to bring the poor into the process of local development through local government, quite substantial poverty reduction can be achieved. It has

⁷ Interestingly, although the validity of this approach was accepted by World Bank staff, the Bank's legal department argued that it was not in a position to impose conditions on budgetary allocation decisions taken by a parliament.

⁸ Panchayati Raj is the name given to the programme for the decentralisation of government in India. It received a considerable boost when the GoI passed the 73rd and 74th Constitutional Amendments, in early 1993. These require that all Indian states implement Panchayati Raj and thereby decentralise government down to district, block and village levels with similar institutional structures in municipalities. The state governments are also required to appoint a Local State Finance Commission to develop proposals for the financing of local government.

been argued by a growing number of academics that the role of Panchayati Raj Institutions in supporting economic growth and in the distribution of its benefits in the State of West Bengal during the 1980s has been one of the principal reasons for the reduction of poverty in the rural areas (see Drèze & Sen, 1995 and Bose, Harriss-White & Rogaly, 1999). For its part, Uttar Pradesh demonstrates the danger of decentralisation serving to enhance the role of local elites with little regard for the poor and poverty reduction.

The other point in common amongst EU donors with respect to poverty reduction, institutional delivery of aid and conditionality is the growing pressure for bringing those institutions which represent the poor into the implementation of projects. This goes beyond the elected institutions of local government to user committees, forest protection committees, community health and sanitation groups, slum dwellers associations, and similar organisations. Often the conditionality takes the form of requiring awareness creation and group formation as a project component, with local NGOs often being brought in to facilitate this process.

The practical problems concern the question of where should conditionality be applied given the complexity of centre-state relationships, problems concerning the location of responsibility for sector policy and programmes, and much more. Even when it is felt that a degree of conditionality is acceptable on the basis of an agreed agenda by both parties (e.g. donor and Government of India), at the level of implementation, for example a State ministry, the agenda can be very different and strong opposition to the conditions required.

Certainly, where conditionality is used to secure additionality, to promote effective decentralisation with the participation of the poor, to secure better targeting and effective utilisation of resources, then the ethical arguments on poverty reduction must be seen to counter those concerning national ownership and accompanying issues of rights.

5.3 Coordination

On the whole, each of the donors appears to pursue its own agenda with very little reference to the other donors in the field. Partly this can be explained by the organisational structure of the different donors, the independent origins of their respective strategies and policies, the shortage of staff at the country level with time to participate in coordination working groups, and the lines of management including accountability and decision-making that structure the donor personnel's routine work.

Coordination also does not operate also at the level of exchanging information on project activities. For example, a new DFID supported watershed project in Karnataka will overlap with Phase II of a Danida supported watershed project in Bijapur District of the state yet there has been no attempt at donor coordination.

There is a view that donor coordination is not very necessary in India where (unlike Africa) foreign aid plays a much smaller role and the donors operate in different sectors and states, so the risk of duplication is therefore very small. The agencies who should arguably be responsible for encouraging such coordination are either not up to the task (i.e. the European Union) or not particularly interested (i.e. the World Bank).

In some cases, donor coordination has been quite specific. For example, there has been close coordination between KfW and the World Bank on a number of programmes even to the extent of operating as its junior partner. There is general BMZ support for the World Bank's policy dialogue with the GoI and at the sector and project levels, there is close support and coordination between

German aid and the World Bank. For example, in 1994/5 similar requests for support to the health sector in West Bengal, and the rehabilitation of hospitals, were received by both the World Bank and BMZ. It was agreed that the World Bank would focus upon the secondary hospitals while BMZ-KfW concentrated on the primary health care provision. Initially there was a geographical division between the two donors as well, a form of parallel financing. However, this was subsequently changed on the BMZ-KfW side as 10–15m DM had too little impact upon the political system. By coming with 60m DM and taking up the primary health sector in the whole state, a far greater reforming impact could be achieved it was felt.

Such examples of close cooperation are not very common, however. The scepticism expressed time and time again by officials from the EU donors both towards the possibility for closer coordination and towards whatever attempts have been made in this direction is difficult to explain. There does appear to be considerable competition between the different bilateral donors with often negative sentiments expressed about other donors' activities. An official from the World Bank office in Delhi argued that the 'bilaterals are constantly inflating their own importance and criticising whatever the Bank does.' Justified or not, there is much criticism of the World Bank and the European Commission, but it does not help moves towards greater coordination.

The most active agency in the area of donor coordination is UNDP. Since 1994, UNDP's traditional coordination mandate, first articulated in detail in UN General Assembly Resolution 47/199 in 1992, has been further strengthened. In India, UN working groups have provided the basis for the more recent establishment of a number of thematic donor coordination groups (there were 21 such groups in December, 1997). The groups vary in membership size and work agendas and are all convened by different organisations. The criterion for the establishment of a group is interest expressed by the agencies, with UNDP only providing a background secretariat role. While most of the groups are only fora for exchanging views and information, a few collaborative initiatives have emerged.

For the most part, the EU donors appear to favour some degree of coordination, but on an ad hoc basis. Where there is a need to let those with similar interests meet, but not on a formal basis with regular meetings etc. While sector focused coordination appears to be more successful, it is unlikely that in the present donor context, poverty reduction could be the focus for any such coordination which is unfortunate. For its part, the Government of India prefers to work with donors on an individual, bilateral basis, understandably so. The idea of donors 'ganging up' on the Indian government is not a popular one.

Donor coordination is particularly important at the sector programme level. Coordination and cooperation ensures donor consensus around a policy reform agenda and allows different donor strengths, financial and technical, to be drawn upon most effectively. If donors are to make good on a commitment to ensure that macro and meso (sector) reforms take full account of the needs of the poor, they need to be singing from the same hymn book as far as possible. It is therefore heartening that there have been a number of good examples of effective coordination, notably in the Reproductive and Child Health Programme and also the District Primary Education Project. The European Commission played an important role in obtaining donor consensus that the Reproductive and Child Health Programme should only be supported if the additionality of funds could be demonstrated by the GoI. The Commission and the UK aid programme cooperated effectively, with an enlightened willingness on the part of both to benefit from the Commission financial 'clout' and the UK's greater health expertise.

The effectiveness of coordination is dependent on government capacity and determination at least as much as donor commitment. Arguably, of the two examples given above, coordination was more

effective, at least at the policy formulation stage, in the education sector than in the health sector. This partly reflected the determination of the Deputy Secretary within the Ministry of Education to lead on policy development and programme implementation drawing on donor expertise and resources where *he* felt he needed them. The donors were referred to as ‘external agents’, whose contribution would be within a framework developed and owned by the GoI. In the health sector, although donor coordination was effective, Indian government capacity and coherence within the Ministry of Health and Family Welfare was lower. The result, some donor and government officials have argued, is that donor profile and influence was raised at the expense of that of the government, and that ownership was lower. This may well change and develop, however, and there has certainly been substantial and effective cooperation between both parties.

At project level the record on coordination has not been particularly impressive, but this is perhaps to be expected in that projects remain the domain of specific donors. Perhaps more surprising, however, is the lack of coordination involving the sharing of information between donors. Apart from fairly superficial exchanges concerning their respective activities, there appears to be little or no exchange of more detailed information such as that contained in state level poverty or gender assessments, or in the state or sector profiles and papers that are often prepared by individual donors.

5.4 Institutional dimensions of poverty reduction

For all six donors, the need for participation by the beneficiaries has been a theme in the attempt to address the institutional dimensions of donor-financed poverty reduction programmes and projects. From an initial move towards engaging with the poor through consultation, problem identification, project evaluation and assessment, participation has now become a priority aim in local institution building and in institutional capacity raising generally. Today the ideal is to achieve participation within all phases of the project cycle and participation is deemed to be central to the ownership and thereby sustainability of projects, and ultimately to the process of sustainable poverty reduction. Participation has also become central to other cross-cutting imperatives including the environment and natural resource management, gender, and human rights and good governance.

To a greater or lesser extent therefore, all six donors have sought to bring the beneficiaries into a far more prominent role within their sector programmes and the specific projects. This has taken a variety of forms; in the case of KfW there has been an increasing pressure placed upon state governments and the departments concerned to bring beneficiaries into projects through economic mechanisms, for example the introduction of user fees to cover recurrent costs in irrigation in Orissa. The argument being that not only will this aid the financial sustainability of the project, but that it will also facilitate the formation of local user committees through the strong sense of ownership coming from the payment of such fees.

Elsewhere, the focus has been more directly upon the formation and strengthening local institutions through often quite complex interventions. Danida in the second phase of the Karnataka Watershed Development Project has developed an 11 stage approach to ensure a continual involvement of the beneficiaries in the project with the accompanying capacity building that accompanies the institutionalisation of such procedures within a project. Similar efforts have been made by DFID in a recent watershed project.

In quite a number of instances, the generation and strengthening of local institutions within a project draws upon the particular skills that Indian NGOs are seen to possess in this area. For example, the introduction of the two Indian NGOs, SEWA and SPARC, by DFID into the Gomti River Pollution

Project located in Lucknow reflected the specific need to both generate local community-based organisations capable of presenting their needs and interests both into the project through community planning, but also in a wider engagement with the municipality.

The implementation of Panchayati Raj has proved to be of growing importance for some of the donors. In those states in which it has been or is currently being implemented⁹ donors are looking to see how far the reforms have gone and to what extent they provide an improved institutional basis at the local level for project implementation (cf Section 5.5). But there are also exceptions here; Sida for one has not sought to involve Panchayati Raj Institutions in its projects. This might partly be explained by the weakness of these institutions in the states where Sida has its projects, notably Rajasthan, Orissa and Tamil Nadu, but there are no considerations with respect to their potential role in the future of Sida projects either. Financial weakness and local elite-domination appear to be the other explanations available for Sida's position, but it runs counter to thinking elsewhere amongst the EU donors.

5.5 Targeting

On state selection

The selection of recipient states within India is one of the first stages involved in the process of targeting. This selection is based upon many considerations amongst the six donors, but a trade-off that has concerned a number of donors in making their selection is that between the level of poverty present in a State and the institutional capacity present that determines how far the poor can in practice be reached. Reference has already been made to Danida's narrowing of its state focus to only Madhya Pradesh and Karnataka (see section 4.3) An Important argument for continuing support to Karnataka rather than to the State of Orissa, one of the poorest states, was that Panchayati Raj in Karnataka presented a much better institutional basis at the local level for carrying through successful projects.

In preparing its most recent India country strategy, Sida commissioned a report in which the poverty of certain states was set alongside the institutional 'condition' of those states, and specifically the extent to which Panchayati Raj has been implemented. Elsewhere, a similar concern as to the institutional capacity of states, not least with respect to the issue of 'corruption' has played an important role in state selection. The issues involved in Danida's and Sida's selection of Indian states are discussed at greater length by Folke (Folke, 1998a, 1998b).

In the case of DGIS, the decision to keep the State of Karnataka in the Dutch portfolio for the time being was due to the direct intervention of Jan Pronk when the state was about to be dropped, and the role of ministers in other donors' selection of states in India has been known to be an important factor.

DFID have traditionally worked closely with a number of states, largely because of historical associations. It has recently decided to formalise its state focus by developing special partnership with three or four states, which are likely to be Orissa, Andhra Pradesh, West Bengal, and possibly Madhya Pradesh. The state selection is based on the two-fold criteria of commitment to poverty reduction and to sound economic policies, including redirecting budgetary resources away from inefficient subsidies and towards pro-poor social sector spending. All of these, apart from West

⁹ While all states are constitutionally required to implement Panchayati Raj, in some states, the political will is clearly lacking. In some cases significant advances have been made or are underway, for example West Bengal, Madhya Pradesh, Kerala, and Karnataka.

Bengal, fall into the bottom half of Table 5.2, ranking states by level of human development. Such criteria were not applied in the past where, for example, the UK's environmental objective led to large scale support to the forestry sector in Himachal Pradesh.

The trade-off between the level of poverty and the possibility of reaching and aiding the poor in different states does raise the difficult question as to whether the poor, in say the State of Bihar, are being abandoned through little fault of their own.

In the following table, we present the level of poverty and five of the donors' involvement in aid where they have a state focus. The table is based upon the UNDP's Human Development Indices as used in the 1996 Human Development Report, with deviations in some of the components of the indices due to lack of data (Haq, 1997:116). The last column is based upon the information collected from donors for this study, but it is constructed by the authors and not the donors.

Table 5.2 Disaggregated human development index for India and donor states

State	Life expectancy	Adult literacy rate (%)	Real GDP per capita (1993 PPP\$)	HDI value	HDI ranking	Donors
	1990–2	1991	1992			
Kerala	72	86	1,017	0.597	1	nl
Punjab	66	52	2,124	0.516	2	
Maharashtra	64	60	1,802	0.513	3	d, uk
Haryana	63	49	1,915	0.476	4	
Gujurat	60	57	1,416	0.458	5	nl
West Bengal	61	57	1,186	0.452	6	d,uk
Himachal Pradesh	64	51	1,180	0.447	7	d
Karnataka	62	52	1,224	0.442	8	d,dk,uk,nl
Tamil Nadu	62	51	1,119	0.432	9	s,dk
Andhra Pradesh	60	40	1,227	0.393	10	uk,nl
Assam	54	49	932	0.374	11	
Orissa	55	46	896	0.368	12	d,s,dk,uk
Bihar	59	39	640	0.3504	13	s
Rajasthan	58	36	961	0.3503	14	d,s
Uttar Pradesh	56	38	884	0.343	15	nl
Madhya Pradesh	54	41	898	0.341	16	d,dk

Primary source: Mahbub ul Haq, *Human Development in South Asia*, 1997, p.116

Notes: Denmark is to reduce its state focus support to Karnataka and Madhya Pradesh in future. DGIS has proposed to phase Karnataka out, but it remains for the time being. Sida has no focus states as such, but the states indicated have been the focus for social sector and forestry projects. Elsewhere there have been major power projects etc. In future, Sida plans to concentrate social sector projects in Rajasthan and Tamil Nadu. Other projects will be throughout India. The EC has no priority states.

The European Community aid programme has never had a strategic and poverty-based geographical rationale. The relatively recent shift to a more sectoral approach has not changed this, since the concern has been to ensure that sector reform generates benefits across a range of states. Although the majority of the Commission's programmes operate at the state level, the Commission has not found it easy to work with state governments, principally because it has needed to go through central government first, which builds in delays.

On the selection of localities

If the selection of states is primarily a donor prerogative, the selection of districts or localities within a state is much more influenced by the state governments through the negotiations between the state government and the donor, but the donor nevertheless retains a strong role. An example is provided by the selection of Chengelpattu District for the first phase of the Sida supported Integrated Child Development Services. The Government of Tamil Nadu had suggested Pudukottai District which is much poorer than Chengelpattu District, the former being located next to the city of Madras/Chennai. Sida preferred Chengelpattu primarily for reasons of administrative convenience; in rationalising its choice it pointed to the large scheduled caste population present in the district. Chengelpattu District was eventually agreed upon as the focus for the first phase while Pudukottai was included in the second phase.

Danida was opposed to the inclusion of the relatively developed Uttara Kannada District in Phase I of the Karnataka Watershed Development Project, but it was demanded by the state government. Again in Phase III of the Tamil Nadu Health Care Project, while there was consensus on the selection of the poor and backward district of Dharmapuri, the state government insisted on including the two relatively well-endowed Districts of Thanjavur and Nagappattinam in the Cauvery delta.

DFID officials have been self-critical over the district focus of a long-standing health and family welfare project in Orissa. Although the districts chosen included poor ones, others were better off and chosen partly out of administrative convenience and partly out of a desire to achieve good results.

Targeting the poor at the local level

Moving beyond targeting through the selection of states and districts/localities, to examine the EU donors' targeting of the poor at the local level, the weakness verging on the absence, of the poverty reduction objective in their aid approach begins to truly manifest itself.

For the EC, 'almost anything you do in India would lead to poverty reduction' was the statement of one official and similar, though perhaps not quite so simplistic, statements emerged from most of the EU donor agencies. While this might be true at an extremely general level of abstraction, it was to be hoped that at least at the level of project design, a more sophisticated approach towards targeting the poor would emerge. The overall picture is that the poor are poorly targeted even at this level, although there were many exceptions.

Danida-supported projects do not specifically target the poor. In agriculture, health, and drinking water projects, for example, the target group is the community within a particular locality. In some watershed and social forestry projects a greater effort is made to reach small or marginal landowners and farmers, and secondary components are often attached for economically disadvantaged groups such as women, youth, or landless, but little systematic thinking lies behind such efforts.

With Sida the picture is very much the same although there is a particular emphasis upon women and children running through a number of their projects. In the case of DGIS, poverty and the poor at the local level are approached in terms of the state's own official categorisations as to what constitutes poverty and as to which groups are predominantly poor: scheduled castes, scheduled

tribes, landless and women. There is little attempt to go beyond these fixed categories or to reflect more recent thinking on poverty and identification of the poor.

The German government requires that all projects possess a direct or an indirect poverty orientation. However, it is clear that the poverty categories used, direct or indirect, are based upon a loose definition as to what constitutes poverty and thereby who are the poor to be targeted. For KfW, if 50% of the target group can be identified as being poor, then the project is deemed to have a direct poverty orientation, and the assessment of poverty is based upon income levels together with poverty indicators linked to such factors as literacy and health. BMZ is currently working towards a more refined approach in which a range of dimensions ranging from direct self-help through to indirect poverty orientation feature (a 2 page form is being developed with a check list for assessing project proposals).

In the case of GTZ, most of the projects are acknowledged to be not directly targeted at the poor. Of the limited number that are claimed to be directly targeted towards the poor, again as with KfW, the concept of poverty and the identification of the poor is based upon a broad general definition with little or no attempt to develop or utilise indicators that might distinguish between the different forms of poverty to be found at the local level. The one possible exception is the Self-Help Fund with its attempt to work closely with NGOs in identifying the nature of poverty and the problems of the poor through needs assessment and contextual analysis.

To some extent it is important to recognise that social sector projects implemented through government departments do embrace a broader concept of poverty and that the nature of the intervention – primary health care, primary education, drinking water and sanitation etc., can only be directed at a community within a locality and that targeting can only be refined within such programmes through secondary components. For example, free school books to female pupils, free school meals to encourage the poor to send their children to school, and similar components.

In the ‘productive’ sector, the problem is that the beneficiaries are reached through a particular asset or resource. For example irrigation water goes to land rather than to people, agricultural technology requires land to utilise it, tree plantations similarly require access to land. When such projects are described as being targeted at the poor, this is only true in so far as the poor have access to the assets through which the benefits introduced by the project are transmitted or mediated.

If donors fail to carry out their pre-project appraisals with a more sophisticated assessment of the poverty conditions locally, and if they continue to approach poverty in somewhat simplistic terms of limited variable causality (e.g. irrigation will reduce poverty), then the targeting of the poor in their projects will continue to be one of the greatest weaknesses in the overall role of EU aid for poverty reduction.

5.6 Gender in poverty reduction

Gender is an important cross-cutting issue for all of the EU donors, but some appear to have greater success in pursuing their gender objectives than others. Gender is also coterminous with poverty in many contexts; not all women are poor, but where there are poor people, the women are amongst the poorest.

Danida and Sida have both sought to go beyond targeting women through secondary components within projects and directed projects specifically at women in poor areas. DFID argue that they do not favour ‘bolting on’ women in development components to their projects, but seek to

'mainstream' gender concerns into the design and implementation of all its projects and programmes. To this end, DFID draw upon four social development advisers in its main office, and several more in sectoral field management offices. This aspiration is no doubt more closely met in the most recent projects and programmes, but it is clear that earlier projects were less integrated in their approach.

In general, the overall tendency among most EU donors is to stress the gender dimension in country strategy papers, to encourage its consideration in the preparation and selection of projects, but for women to be subsequently slipped into the secondary component category. Project after project covered in the sector studies reveals this tendency. The European Community aid programme has some rather limited access to gender expertise in Brussels, but seeks to consult its gender expert for Asia during the project design phase. It has no specialist gender expertise or social development expertise in its Delegation in Delhi.

Certain sectors possess a stronger gender dimension than others, it should be noted. Forestry is one sector in which the gender division of labour is quite specific, with women often having primary responsibility for minor forest product such as silk cocoons, medical plants, decorative plants, firewood etc. Yet the social forestry projects which have been supported by the donors almost invariably focus upon the timber side of forestry even when based upon local community-based organisations. Furthermore, the community-based organisations, e.g. Forest Protection Committees, are often constituted with only one member from the household, namely the man. Secondary components to the projects include vocational training programmes, for example teaching women to use sewing machines (Danida supported Agro-Forestry project in Karnataka).

While there are some examples of relatively successful projects involving women (see chapters 6 and 7) it has to be concluded that the overall tendency is for women to have secondary component status in practice. Such components are not sufficient if there is to be a gender dimension to a project and if it is to be linked to the needs of poor women.

5.7 Ownership versus 'hands on' management

For many years, the Indian central government view of technical assistance in aid was not a particularly positive one and obstacles were, and sometimes still are, frequently placed in the way of donors providing technical advisers to support the projects that they are financing. The argument from the Indian side is essentially that they possess the ability to carry through projects with their own management systems and that the role of the donors should be to provide financial support to the programmes and projects implemented by the Indian authorities.

From the donor side, the general concern is with achieving the most effective utilisation of the funds allocated. While they do not wish to dispute the GoI's ownership of the programmes and projects which they, the donors, support, they do wish to be involved in some aspects of their management, not least because one of the aims of the aid support is to improve the institutional capacity of the partner institutions. It is undeniable that it also reflects a concern to ensure that funds are correctly used and thus to provide accountability to donor parliaments.

In addition to the issue of ownership between donor and the GoI, there is a second issue that is perhaps more directly related to the poverty reducing impact of aid, namely the issue of local ownership. In the case of projects directed at the poor, in many cases the local ownership of key components is central to the success and sustainability. Examples would be projects in drinking water and sanitation, social forestry, watershed management, slum improvement, all of which

frequently involve the creation of local user groups or community-based organisations as an integral part of the project. This is far from straightforward. DFID originally tried to set up community organisations in slum areas outside of the existing political structures, believing them to be biased in favour of elite groups. However, it found that these were unsustainable, and that greater local ownership was achieved by working with existing groups, even though the poor did not necessarily enjoy the influence that their numbers should dictate.

With respect to the overall trade-off between Indian ownership and ‘hands on’ management, the EU donors for the most part do not view it to be a problem. In so far as they press for the inclusion of technical assistance in their aid programmes, it is usually justified in terms of factors such as the desire to include partner institution capacity building, the introduction of innovative approaches, and the need to meet more stringent requirements for monitoring and assessment from the donors’ side. On the whole, the GoI still appears to be reluctant to accept these arguments and to permit the level of technical assistance that the donors desire within the programme agreements. Less resistance tends to be met at the level of ministries or state governments where there is often a willingness to accept technical advisers. At state government level, the conflicts tend to emerge when donors seek to go beyond the advisory role to change or modify the management systems in place, or when an excessive amount of the project’s budget appears to go back to the donors in one way or another.

Some officials within DFID have, however, recognised that trade-offs may occur. Several spoke of what they perceived as DFID’s tendency to ‘micro-manage’ projects. This can result, it was stated, in DFID sometimes being overly prescriptive regarding the type of outputs they wish to see achieved or the precise manner in which they are to be achieved. It was also argued, quite reasonably, that the degree of ‘hands on’ involvement by DFID should depend on the degree to which an intervention is innovative or experimental. As mentioned above, the UK is seeking to develop closer state-level partnerships, and this may involve establishing state-level UK aid offices, perhaps closing (or integrating into DFID main office) the current sectoral field management offices which are mainly based in Delhi. It is hard to see how an effective partnership can be established at a state level without the permanent location of donor staff at that level.

Previous reference has been made to the tensions that have arisen between the Dutch and the State Government of Karnataka with respect to a drinking water project. It has taken ten years for the project to proceed from the initial agreement to the first stage of implementation, specifically because of the government’s resistance to the Dutch approach to the project’s management. Again in Karnataka, there has been considerable criticism from the Indian authorities as to the amount of funds within the Western Ghats Forestry Project, funded by DFID, allocated to external consultancies and research. The tendency for DFID is in fact to have a far greater involvement in the management of projects than the other EU donors with the possible exception of Danida, which has a relatively high number of field officers attached to projects.

Where the donor staff is quite small and there are few field staff attached to projects, hands off management is practised out of necessity. This applies to the European Commission, which has little choice but to adopt a more hands off approach by its officials. It has, however, sought to maintain accountability and a technical input through the use of European (and local) technical assistance. This has been the subject of lengthy negotiations with the Department of External Affairs from 1994. The Department considers it to be a diversion of aid funds away from beneficiaries in favour of European consultancies and possibly diminishing its control over the programmes. A compromise was eventually agreed, whereby a European technical assistant would work with an Indian Director of separate Project Management Units, but the expert will be attached for three years rather than for the whole length of the project. While this approach may reflect

problems encountered in the past,¹⁰ it risks creating donor-financed enclaves which may achieve results, and it will be difficult to reproduce elsewhere within the government system.

Clearly the issue of ownership and ‘hands on management’ is strongly influenced by the donor approach towards development. Top-down implementation of blueprint models tends very much to require technical assistance. DFID would appear to have recognised this problem and wants to move towards a less direct management involvement with its projects. However, many of the older projects remain blueprint type projects with clear objectives and indicators to reveal how far these have been reached. Field Management Units responsible for these projects are quite resistant to the reduced managerial involvement, not least because they want to see their projects to achieve the aims as they were originally set out.

The changes towards a more process-oriented management, together with the growing role of Panchayati Raj Institutions in many of the social sector programmes, will perhaps aid the move towards a less direct managerial role on the part of donor field staff. Danida believes that the transition to a sector programme support approach will strengthen ownership on the Indian side and reduce the direct managerial role of Danish technical advisers. Whether it is possible to work towards a managerial and organisational capacity building role for technical advisers wherein their role is to support rather than to manage waits to be seen. One Danish official commented that the positive side of aid in India, in contrast to Africa, was that Indians believe that they can manage themselves, but the danger was that they went too far and believed they had nothing to learn from foreigners. To build a supportive relationship between the technical adviser and his/her counterparts in the partner institution is not easy. Yet the sustainability and replicability of the project, its innovative approach, and much more depends very much upon the nature of that relationship.

The German view is that the organisation and management systems in place on the Indian side tend to be bureaucratic and entrenched in their ways. In addition, their role in administering development programmes is all too often undermined by politicians pursuing short-term political gains. They point in particular to weaknesses in the areas of poverty reduction and environmental and resource protection where the institutional actors are found to be particularly weak. When these are combined with poor sector conditions and problems in the decision-making structures of the government partner institutions, KfW believes there to be a powerful case for greater ‘hands on’ management. This links in closely with the strong tendency for KfW to demand quite stringent sector framework conditionalities.

For the Dutch aid programme, the aim of strengthening ownership and the practice of ‘hands on’ management go hand in hand. Within specific projects such as the drinking water interventions, there has been a strong tendency since the mid-1980s to promote local ownership by introducing so-called ‘software’ aspects into the projects in the hope that it will provide the local communities with a feeling of responsibility to use, operate and maintain the provided facilities. PRIs have been involved in playing an important role in this development. At the same time, the Dutch have demanded that relatively strong monitoring systems be established with a heavy involvement from Dutch consultancy firms.

The number of Dutch advisers attached to such projects has long been opposed by the Indian government and it was only in the late 1980s that there has been a shift in the government’s position. In the pursuit of local ownership and greater poverty reduction therefore, the Dutch currently have the non-technical parts of a number of these projects headed by employees from

¹⁰ This arrangement is specifically designed to achieve a faster disbursement of funds, which the Commission considers to have been delayed by ‘heavy Indian bureaucracy’, although some officials acknowledge that the need to refer back to Brussels also builds in delays.

Dutch consultancy firms. For example in the Bangalore Urban Poverty Programme and the Netherlands Assistance Project Office in Hyderabad. At the same time, the Dutch programme in India has been strengthened during the 1980s with a number of sector specialists with the aim of enhancing the sector projects. Again the initial reaction of the Indian government was to reject the need for external expertise in areas where they felt that they already were competent. According to the 1997 annual plan of the Royal Netherlands Embassy, India has now expressed the desire for technical assistance, particularly in the area of environmental technology. It is perhaps a little ironic that the pursuit of greater local ownership requires a greater Dutch presence.

However, the Dutch experience exemplifies the three-way balance needed between challenges to Indian ownership, donor desire for effective aid utilisation, and the issue of local ownership linked to poverty reduction. The achievement of a balance between these three concerns rests upon the main parties concerned and these are primarily the GoI and the donors. The interests of the poor for whom poverty reduction is of the greatest concern are, unfortunately, not represented as such in this process.

Several government officials believed that externally aided projects, on balance, systematically differed from local ones in terms of the extent to which beneficiary participation was intended. One official in Orissa underlined that rural development projects involving donors tended to involve farmers in their implementation to a far higher degree. This contributed to effectiveness since it responded to the reality that the government lacked the capacity to manage everything effectively. Second, it made ownership more tangible, so that beneficiaries were also direct contributors, and that any assets created were theirs and not the government's or the donor's. Similarly, at national government level, a significant number of officials testified to their perception that levels of participation and ownership among project beneficiaries had increased over time, and that donor's had had an important role in fostering this.

5.8 Commitment to innovation

All the EU donors claim that their support is important for the innovative approaches to development that they bring. It is quite difficult to find the evidence to support the strength of this belief, however. In the past two or three years, DFID has supported a series of highly experimental pilot projects. These include projects in the health sector, others in natural resources such as the KAWAD watershed project and the Western India Rainfed Farming project. Each of these has involved a considerable investment in time and energy on the part of DFID, one and a half years in the case of the watershed project, which will only prove to be worthwhile if such projects are scaled up and/or replicated at a later stage. Such an investment is thereby justified on the basis that its innovative nature will prove to be a success and establish a model for subsequent projects, whether funded by donors or, preferably, the GoI. DFID believes that its investment in participation in these two projects, along with efforts by other EU donors, has had a substantial positive impact on the development of National Watershed Development Guidelines which should affect the design and implementation of future investments in this sector wherever they are located.

The Netherlands has also sought to pursue innovation and prides itself on having led the way in some areas with respect to participation and the development of a more integrated approach in projects. The Mahila Samakhya Programme is an example of a project regarded by both the Dutch and the Indian government as being both highly innovative and successful. But again, it is recognised by the Dutch that innovation depends very much upon the staff involved and the attitude of government officials involved at state and central levels. The EC has also stressed this dimension

very much with respect to its perceived successes and failures in watershed projects in Uttar Pradesh.

Long delays in sanctioning and the release of disbursements and partnership problems generally can seriously reduce the impact of an innovative approach. Most recently, the country-level staff based at the Dutch embassy have begun to express the feeling that the focus of their aid should be away from specific projects and aimed more towards the transfer of knowledge and the improvement of the government institutions involved in the delivery of development programmes. Innovation should thereby come more directly from institutional capacity building rather than by demonstration through projects.

Danida is another EU donor that sees itself as innovative, and in the areas of gender specific approaches and participatory methods it argues that it has made significant contributions in developing approaches in training programmes for farm women for example, or to the community-based maintenance of hand pumps.

Whether innovation is linked to better poverty reduction is another matter. While it can be argued that a more participatory approach to management and the organisational structure of projects can be poverty reducing in that the poor targeted can better influence the design, implementation and assessment of projects, innovation in areas such as cost recovery is more debatable. Innovation is easier where it is working to change existing institutions and their management and organisational systems. If these are not particularly pro-poor in the first place, it may well be that there will be no poverty reducing impact. To begin from the standpoint of a needs analysis of the poor and the design of a project and a management and organisation system designed to carry through such a project would be too radical for most of the existing partner institutions on the government side. At present, to bring government officials into direct contact with the poor is regarded as a major innovation in a project.

If innovation is to be directed towards better poverty reduction, it is probably going to require the heavy investment of time and labour on the scale that DFID has recently invested in health and watershed. Few of the other EU donors have the capacity to undertake this at the moment. This is certainly true of the European Community aid programme, whose lack of any particular emphasis on innovation no doubt reflects in part very real staffing constraints.¹¹ Its recent shift towards a more sector-based approach implies supporting reform processes and thus innovation. In this regard, the European Commission (and member state support is vital here) might do well to concentrate on reforming its own systems, notably its legalistic consultancy tendering system, which remains a source of tremendous frustration for its development officials.

5.9 NGOs

For all of the EU donors investigated, local NGOs are primarily the responsibility of other, northern NGOs and are not of significance in bilateral aid. Having said that, we noted that some EU donors, notably DFID, are increasingly prepared to make use of local Indian NGOs in order to enhance the participatory and institutional capacity building dimensions of quite a few of their more recent projects. This in itself is a belief that local NGOs do have certain comparative advantages over government institutions, particularly when it comes to working with local communities. This can also be seen to support the poverty reduction objective if the project is targeting the poor. A good

¹¹ The Commission Delegation considers its expertise to lie in the renewable natural resources sector and in promoting participation at the grassroots level, particularly through NGOs. While the latter is likely to continue, the recent emphasis on sectoral approaches is unlikely to draw upon its experience in the natural resources area.

example of this is DFID's extensive use of local NGOs in the health sector through 'managed networks'.

Direct bilateral support to Indian NGOs remains very much the exception. The Indian government position is that bilateral aid should be government to government, thereby excluding NGOs. For their part, donors require a degree of security for their funding often involving the guaranteeing of aid funds raising the difficult question as to who will guarantee funds provided to Indian NGOs. Most direct funding has therefore been on the basis of small one-off grants made from funds available to the ambassadors of most of the EU countries.

One solution adopted and then dropped by the Dutch, and more recently used by the Danish, has been to channel funds through CAPART, the Council for the Advancement of People's Action and Rural Technology.

GTZ-SHF (Self-Help Fund) has followed the broader BMZ emphasis on pursuing a self-help approach towards development and specifically towards poverty reduction. It is currently working directly with about 35 local NGOs on a bilateral funding basis. This was achieved after considerable pressure was asserted on the Indian authorities in the 1993 annual negotiations. The Self Help Fund, and to a lesser extent the Small Project Fund, are both aimed at trying to utilise the specific advantages which they believe that local NGOs have with respect to poverty reduction. The former aims quite specifically to develop a partner relationship with the local NGOs that takes up many of the issues involved in the operationalisation of poverty reduction in aid – local ownership, innovation in management and organisational structure, improved monitoring and assessment and feedback into the project process, and a multi-dimensional approach towards conceptualising poverty and designing projects accordingly.

The European Community Aid Programme has a discrete NGO component operating in the area of HIV/AIDS, democracy and drugs. The budget line finances international NGOs, rather than Indian NGOs, though the two may work together. NGOs are selected at the European Commission Headquarters in Brussels, which also plays a role, together with the Delegation, in commenting on the design of NGO projects and trying to ensure that they are participatory. The Delegation in India tries to provide a limited monitoring function. In addition, a similar, though variable, amount of funding is provided to international NGOs from the main technical cooperation budget line. The effectiveness of the EC's NGO financing, EC officials argue, depends primarily on the level of commitment to poverty reduction of particular NGOs. However, even where commitment is high, the poorest rarely benefit. Taking the natural resources sector, most NGOs are accustomed to participate in irrigation and agricultural extension, yet the poorest usually have no or limited access to the land, water or other inputs required to participate effectively. This has contributed to the shift in the EC programme away from natural resources and towards the social sector, where NGOs are also being used.

Whether the GTZ-SHF can offer an example to others as to how to operationalise NGOs in poverty reduction with aid support, is not yet clear. The project has only been operational for three years. Certainly, the experience of DFID with local NGOs in projects such the Gomti River Pollution Project, and the experience to date from the SHF, would suggest that NGOs can and do have an important contribution to make.

5.10 Monitoring and evaluation

Monitoring and evaluation have always been of central importance for the donors and considerable emphasis is put upon developing and utilising new methods: Logical Framework Analysis, ZOPP etc. and the monitoring and assessment of the poverty impact of projects has increasingly begun to emerge following the listing of poverty as an overall priority objective of donors' aid.

The UK Country Strategy Paper for India devotes a section to discussing the importance of developing an improved poverty assessment and of committing resources to undertake research on this. Research has already begun in the areas of urban poverty and more recently health. Elsewhere, DFID have been working with the Andhra Pradesh government to develop quantitative and qualitative indicators, including participatory indicators, in order to better assess the impact of the DPEP programme. One of the aims is to demystify the evaluation process so that it can better enable a greater 'hands off' management involvement on the part of the DFID Delhi office.

Danida argues that its substantial field presence (cf Section 5.7) provides an important contribution to its monitoring and assessment capacity with respect to its projects. As with all of the EU donors, periodic reviews and independent evaluations are carried out in most cases. However in some areas, the monitoring and assessment appears to slip away. Danida has not evaluated any of its watershed projects as yet.

Monitoring and evaluation are emphasised a great deal in German aid. For example, the implementation of sectoral reforms is closely monitored and feedback provides the basis for subsequent release/denial of funds/further funds. Similarly, there is a very clear system of monitoring within GTZ projects, particularly those involving NGOs where monitoring is built into the partnership relationship as well as being part of GTZ's own process of assessment. Here it is to be noted that there has been an attempt to move away from a strict indicator-based monitoring system and assessment system towards a more 'process-oriented' approach. The main tool used in identifying the objectives to be reached, overall, intermediate, immediate etc. being ZOPP.

GTZ describes itself as bearing 'joint responsibility with the partner country's agencies for a project's success', and one key component in the monitoring and assessment that this is seen to require is the Project Progress Review (PPR) – an in depth and systematic examination of each project by external examiners. In addition to this, there is an annual cross-section analysis which assesses a range of project activities which can feed back to the individual projects in the forms of better monitoring and valuable information for strategic control and institutional learning. These processes amount to a parallel system of external and internal monitoring of the project, externally this is phase by phase and case by case primarily under BMZ; internally through annual progress reports, Project Progress Review (and monitoring) and Project Completion Reports and Reviews.

The European Community aid programme has been rather hamstrung in its capacity to monitor and evaluate projects effectively. Each project is allocated to one of the 5 officials in the European Union Delegation in Delhi. This means that officials only have time to attend the six-monthly steering group meetings, involving EC consultants and government officials, and are thus highly reliant on the quality of the monitoring provided by their consultants attached to projects. Full-scale evaluations of EC projects are very rare. However, the accumulated experience of EC officials has led them to conclude that its past approach, funding a large number of projects in a rather ad hoc and non-strategic way, is not proving effective. It has therefore, as mentioned earlier, decided to concentrate on sector-wide programmes in which case its own individual capacity to monitor and evaluation is relatively unimportant. Instead, it seeks to support national monitoring and evaluation systems within the government administration. Some EC officials have been self-critical in pointing to the lack of a systematic exercise to determine where the agency's comparative advantage lies or might lie in future. Learning across countries is absent, and even learning within a country may be

lacking. It should be added that this analysis also applies to other donors. This lack exacerbates the lack of institutional memory within the Community aid programme.

For all of the EU donors, the quality of many of the assessments rests upon the quality of the information gathered at the outset; this applies as much to quantifiable indicators as to process-based indicators. Yet it must be said that there is a remarkable absence of benchmark surveys and general collection of data prior to the implementation of projects. A second area of notable neglect is in the post-project assessment. There appears to be absolutely no attempt to return after 5 years or so to assess the longer term impact of a project once it has finished.

Third, the assessment of the poverty reduction impact of a project depends on how the poverty and poor beneficiaries were initially conceived and identified. Given the general failure of the EU donors to move towards a more sophisticated, multi-dimensional concept of poverty (cf. chapter 3), the donors' ability to assess the poverty reduction impact is severely circumscribed.

It is interesting to note the investment in research with respect to poverty issues that DFID is proposing to undertake in this light. If some of the more recent thinking on poverty can be developed into operational indicators for measuring poverty, then the role of impact and assessment could be greatly enhanced with respect to poverty reduction.¹²

There is, however, a cost involved with effective monitoring and assessment in that if it is to be used to support improved aid interventions, not least better poverty reduction, then it can introduce delays into the project cycle. When there is pressure for money to be spent, to reduce the funds awaiting disbursement in the pipeline, then the importance of monitoring and assessment can be downgraded. At present, monitoring and assessment remains primarily a donor driven affair; it is still quite unusual for joint assessments to be made with the GoI. It might well be that it has been too donor driven and been labelled as the donor's responsibility. If there could begin to be greater Indian ownership of monitoring and assessment, this might well help improve the situation. This has occurred in the DPEP programme, where an effective joint supervision mission system exists. However, even here there have been problems, and several of the states have felt that excessive monitoring has been time-consuming. Although the predominant problem is a lack of monitoring, the dangers of over-monitoring must also be recognised.

6. Case Studies in Directly Targeted Poverty Interventions

6.1 Approach and method

Selection of interventions

The core of our assessment of the six donors poverty reduction record is based on an examination of a sample of donor-supported interventions in nine different sectors or areas of activity: watershed, irrigation, forestry, drinking water, primary health, primary education, women's training, urban housing and 'NGO sector' (self-help projects). In each sector 3–5 interventions were selected which were supported by some of the six EU-donors.

For each of the donors studied we have tried to select interventions (projects or programmes) that are relevant in a poverty context but also so that there is a fair coverage of the donor. However,

¹² UNDP's *Human Development Report 1997* has taken up this directly in its four dimensional definition of poverty and its subsequent development of the Human Poverty Index.

coverage has not been equally extensive for all the donors. In order to make the study manageable it has been necessary to confine the study to interventions in five states, namely Uttar Pradesh, Orissa, Andhra Pradesh, Karnataka and Tamil Nadu. The six donors studied support interventions in many other states, but the Indian states chosen are those where there is maximum concentration and overlap among the donors. The state context is in itself an important dimension in the functioning of foreign aid and in the five states we have conducted numerous interviews and studied documentary material to shed light on this. Our selection of states includes two very poor northern states and three Southern states which are somewhere in the middle among Indian states in terms of per capita income.

In three cases we have departed from this and included interventions in other states in order to cover donors and a particular sector. Two deal with primary education, namely the District Primary Education Programme in Madhya Pradesh (with EC funding) and Lok Jumbish in Rajasthan (with Sida funding). The third is an urban housing scheme in Kerala (with KfW funding). But the constraint in terms of states has entailed that some donors are better represented than others. We are convinced, however, that taken together the 33 projects and programmes studied (in nine sectors and five states) give a good picture of the most poverty-oriented parts of the portfolios of the six donors. The selections of interventions was discussed with the donors themselves though the final choice has been ours.

Table 6.1 gives an overview of the 33 projects and programmes taken up in this study. It sets out their main objectives and activities and the nature of their target groups. At the end of this chapter Table 6.2 provides a comprehensive assessment of these same projects and programmes.

Table 6.1 Overview of 33 selected projects: objectives, activities and target groups.

<i>Project</i>	<i>Donor</i>	<i>State</i>	<i>Project period</i>	<i>Total grant/ loan*</i>	<i>Stated principal objectives**</i>	<i>Main activities</i>	<i>Target groups</i>	
WATERSHED DEVELOPMENT PROJECTS								
1	KWDP	Danida	Karn.	1990–1997	DKK 48.8	Sustainable watershed development, improved agriculture	Soil and water conservation	(Small and marginal) farmers
2	DVP	EU	UP	1993–2001	n.a.	Sustainable watershed development, improved agriculture	Soil and water conservation, irrigation, non-land based activities	Farmers, women
3	KIWMP	KfW	Karn.	1994–2000	ECU 23.7	Sustainable watershed development, improved agriculture	Soil and water conservation	Farmers
4	KAWAD	DFID	Karn.	1997–?	£ 14.9	Poverty reduction, sustainable watershed development	Soil and water conservation, human resource development	Poor farmers, women
IRRIGATION								
5	TIPP-II	DGIS	Karn.	1996–?	n.a.	(1) Reduction of water usage levels in the top reach without reduction in income to farmers; (2) Increase in availability of irrigation water at tail end; and (3) Increase in agricultural and agricultural related incomes for farm households	Training and organisation of farmers (e.g. formation of Water Users Associations), maintenance of field channels and drainages, other development activities	Farming communities, with special attention to tail end farmers, agricultural labourers
6	OLIP	KfW	Orissa	n.a.	n.a.	(1) To design and install lift irrigation facilities in order to increase cropping intensity and crop yields; (2) To reduce farming risks by providing water for irrigation; and (3) To provide food security and increase farm incomes.	Formation of Water Users Associations, construction of irrigation facilities	Small and marginal farmers
7	TRP	EU	TN	1984–	n.a.	To develop a sustainable, economically viable strategy for tank modernisation	Restructuring of tank bunds, sluices, and main irrigation and drainage channels, surplus arrangements and	(Small) farmers

<i>Project</i>	<i>Donor</i>	<i>State</i>	<i>Project period</i>	<i>Total grant/ loan*</i>	<i>Stated principal objectives**</i>	<i>Main activities</i>	<i>Target groups</i>	
						improvements to supply channels, lining and construction of ancillary works, construction of field channels, training project staff and farmer leaders		
FORESTRY								
8	JFMP	DFID	Karn.	1992–98	£ 18.1	(1) To rehabilitate and protect the major environmental resources; (2) To assure the sustainability of the living standards of those people dependent on the forest; and (3) To assure the sustained yield of all categories of produce proper to the natural forest	Institutional development in Karnataka Forestry Department, research, training and organisation	Villagers in forest areas
9	BAIF	Danida	Karn.	1990–97	DKK 19.5	(1) To secure the allotment of land or trees to 1,000 landless families; (2) To increase the income of the target population; (3) To reduce the dependency of project participants on existing forest resources; (4) To diminish the dependency of the target group on casual wage labour or out-migration; (5) To demonstrate the feasibility of intensive afforestation and agro-forestry models	Soil conservation, training and awareness building, motivation, research trials of improved techniques for agro-forestry	Scheduled castes, scheduled tribes and other weaker sections having marginal landholdings, Government of Karnataka, NGOs.
10	SFP	Sida	Orissa	1983–96	SKK 282.5	(1) To create sustainable forest resources; (2) To involve people fully as individuals and communities; (3) To meet people's needs for products such as fuel, fodder, small timber and minor forest products; (4) To (re-)afforest degraded land and improve village environments	(1) Establishment of village woodlots; (2) Reforestation and rehabilitation of village forest; (3) Development of farm forestry; and (4) Support to Forest Farming for Rural Poor (FFRP)	Entire community in project area, landless, poor and marginal farmers (Phase 1 had a female and poor focus)

<i>Project</i>	<i>Donor</i>	<i>State</i>	<i>Project period</i>	<i>Total grant/loan*</i>	<i>Stated principal objectives**</i>	<i>Main activities</i>	<i>Target groups</i>	
DRINKING WATER AND SANITATION								
11	SP-VI	DGIS	UP	1987–	Rs. 331.584	To achieve saturation in the supply of drinking water facilities in rural areas.	Water supply, sanitation (toilets), hygiene education, community participation, training of handpump caretakers, drainage works.	Entire population in project area
12	SP-VIII	DGIS	UP	1995–	Rs. 617.237	To achieve saturation in the supply of drinking water facilities among rural areas through community participation, training and maintenance	Water supply, sanitation (toilets), hygiene education, community participation, training of handpump caretakers, corrective interventions	Entire population in project area
13	IRS&WS	Danida	Karn.	1989–2000	Rs. 139.591	To achieve improved health standards through the integration of improved and sustained rural drinking water supply and sanitation conditions with community participation and training	Water supply, sanitation, health and hygiene education, institutional toilets, social forestry, community participation	Entire population in project area
14	IRWSS	DGIS	Karn.	1993–	Rs. 771.968	To achieve better living conditions among the rural areas through the integration of provision of the safe and accessible water with the development of sustainable community organisation, environmental sanitation and education, and promotion of proper use of facilities	Water supply, sanitation, household toilets, health education, environment care, community participation, construction of aganwadis, washing slabs, cattle troughs, drains etc.	Entire population in project area
HEALTH AND FAMILY WELFARE								
15	ADP	DFID	Orissa	1979–1997	£ 232.3	To expand the system of primary health care downwards to the village level by constructing health sub-centres	Construction of village-based health sub-centres, training, health and welfare education	Health workers, doctors and entire population in project area
16	ADP	Danida	TN	1981–2000	DKK 343	Improving the health infrastructure with particular attention to maternal and child health	Construction of health sub-centres, human resource development, IEC and AIDS programmes, setting up a health	Health workers, doctors and entire population in

<i>Project</i>	<i>Donor</i>	<i>State</i>	<i>Project period</i>	<i>Total grant/ loan*</i>	<i>Stated principal objectives**</i>	<i>Main activities</i>	<i>Target groups</i>	
17	ICDS	Sida	TN	1989–1998	SKK 180	To improve the health and nutritional status of children under 6 years of age, to encourage school enrolment, reduce school dropouts and to enhance the mothers awareness and ability to provide proper care for their children	information system Recruitment and training of Anganwadi workers, awareness building, provision of food, literacy training	project area Mothers, children, health workers
PRIMARY EDUCATION								
18	DPEP	EU	MP	1995–	Rs. 6.850	(1) Universal enrolment; (2) Reducing dropout rates to less than 10%; (3) Improvement in learner achievement and (4) Reducing inequities of all types to less than 5%. Added focus on gender issues and tribals.	Building schools, local area planning, school mapping, microplanning, in-service training of teachers, establishing Village Education Councils	Children (particularly girls), educational officials, teachers, parents, tribal groups.
19	DPEP	DFID	AP	1996–	Rs. 2.400	(1) Universal enrolment; (2) Reducing dropout rates to less than 10%; (3) Improvement in learner achievement and (4) Reducing inequities of all types to less than 5%	Building schools, local area planning, school mapping, microplanning, in-service training of teachers, establishing Village Education Councils	Children (particularly girls), educational officials, teachers, parents.
20	LJ	Sida	Raj.	1992–	Rs. 960	To provide elementary education to all children covered under the project blocks, improve the quality of education, empowerment of women to make education an instrument of women's equality, and effectively involve people in planning and management of education	Training to develop local capacity to plan and implement programmes, provision of in-frastructural facilities, school mapping and micro-planning exercises, establishing Village Education Councils and Women Groups	Children and women.

<i>Project</i>	<i>Donor</i>	<i>State</i>	<i>Project period</i>	<i>Total grant/loan*</i>	<i>Stated principal objectives**</i>	<i>Main activities</i>	<i>Target groups</i>	
WOMEN TRAINING								
21	WYTEP	Danida	Karn.	1982–	DKK 108.5	(1) To increase agricultural production; (2) To strengthen self-confidence of women and improve their social status	Agricultural training and extension services to selected women farmers so that they can disseminate skills to other women farmers	Small and marginal women farmers
22	TEWA	Danida	Orissa	1987–2000	DKK 38.5	To increase agricultural production with emphasis on food security	Agricultural training and extension services to selected women farmers so that they can disseminate skills to other women farmers	Small and marginal women farmers
23	MS	DGIS	UP	1988–1997	Dfl. 30.0	To provide educational opportunities for women in rural areas in a way which contributes to their development and empowerment	Skill-based training and training aimed at imparting a new set of values and attitudes; Formation of women's groups	Poor women
URBAN SLUMS								
24	BUPP	DGIS	Karn.	1993–	n.a.	To develop and test a model of sustainable comprehensive urban poverty alleviation based on the concept of enduring and effective community participation	Formation of Slum Development Teams, employment generation via promoting micro credit, habitat and infrastructure improvement	Slum-population, NGOs, government
25	HDFC	KfW	–	n.a.	n.a.	To improve housing and living environment for the poor in the urban and rural sector	Building of houses, complementary infrastructure development, promotion of building centres	Urban (and rural) poor
26	VSIP	DFID	AP	1988–1996	n.a.	(1) To increase standards of health, education and community life via an improved physical infrastructure and an enhanced level of services; (2) To increase economic productivity; and (3) To provide incentives for self-help improvements of housing	City-wide upgrading including the provision of basic amenities and related health, education and community development inputs, and housing; Organising community in local groups which can manage the facilities created and be responsible for cost recovery.	Slum-population
27	CHIS-II	DFID	AP	1996–1998	n.a.	To create conditions for sustainable poverty reduction and improvements in the quality of life of the target families	Integrated project covering such activities as environmental improvements, health and education	Slum-population

<i>Project</i>	<i>Donor</i>	<i>State</i>	<i>Project period</i>	<i>Total grant/ loan*</i>	<i>Stated principal objectives**</i>	<i>Main activities</i>	<i>Target groups</i>	
28	HUDCO	KfW	Kerala	n.a.	n.a.	(1) To provide cost effective, innovative and affordable technology transfer and training at the grass roots; (2) To reach decentralised production of materials and components	activities, economic support programmes and creation of community-based organisations Building of housing centres, training, building of low-cost houses	NGOs, urban and rural poor
NGO SECTOR								
29	NIRPHAD	Danida	UP	n.a.	n.a.	Providing economic infrastructure to the poor so that human development occurs	(1) Providing economic infrastructure such as agricultural extension, irrigation, livestock development; (2) Providing infrastructure of human development	Small and marginal farmers belonging to depressed castes
30	PHCC	Danida	TN	n.a.	n.a.	Protecting the deteriorating natural resources	(1) Alternative practices in agriculture and forest lands; (2) Suitable technologies for natural resource management; (3) Plantation of trees and perennial crops in dry lands; (4) Creating local expertise	Small farmers owning 2 to 5 hectares of land
31	RDO	GTZ	TN	n.a.	n.a.	Facilitating self-help promotion	(1) Enabling people to possess the land; (2) Planting perennial crops on lands controlled by the poor for the stable income flow; (3) education of children	Deprived sections of the community
32	SHARE	GTZ	TN	n.av.	n.av.	Total empowerment of the poor through income generating programmes	(1) Enabling the poor to undertake income generating activities through skill upgrading, marketing and raw material support; (2) Providing education and support services for the poor and their children	Poor and marginalised women
33	Homo Sapiens	GTZ	AP	n.a.	n.a.	Not applicable as project under formulation	Not applicable as project under formulation	Tribal groups with a focus on women

Notes

* In million currency

** Objectives of the latest phase, unless otherwise stated

n.a. Not Available

Donors

DFID	Department for International Development (United Kingdom)
Danida	Danish International Development Agency (Denmark)
DGIS	Directorate General for Development Cooperation (the Netherlands)
GTZ	Gemeinschaft für Technische Zusammenarbeit (Germany)
KfW	Kreditanstalt für Wiederaufbau (Germany)
Sida	Swedish International Development Agency (Sweden)

States

Karn.	Karnataka
UP	Uttar Pradesh
AP	Andhra Pradesh
TN	Tamil Nadu
Raj.	Rajasthan

Currencies

£	British Pounds
Dfl.	Dutch Guilders
DKK	Danish Kronen
DEM	Deutschmark (German Marks)
ECU	European Currency Unit
Rs.	Indian Rupees
SKK	Swedish Kronen

Projects

KWDP	Karnataka Watershed Development Project
DVP	Doon Valley Integrated Watershed Management Project
KIWMP	Karnataka Integrated Watershed Management Project
KAWAD	Karnataka Watershed Development Project
TIPP-II	Tungabhadra Irrigation Pilot Project-II
OLIP	Orissa Lift Irrigation Project
TRP	Tank Rehabilitation Project
JFMP	Joint Forest Management and Planning
SFP	Social Forestry Project
SP-VI	Sub-Project VI
SP-VIII	Sub-Project VIII
IRS&WS	Integrated Rural Sanitation and Water Supply Project
IRWSS	Integrated Rural Water Supply & Sanitation Project
ADP	Area Development Programme
ICDS	Integrated Child Development Scheme
DPEP	District Primary Education Programme
LJ	Lok Jumbish
WYTEP	Women and Youth Training and Extension Project
TEWA	Training and Extension for Women in Agriculture
MS	Mahila Samakya
BUPP	Bangalore Urban Poverty Programme
HDFC	Housing Development Finance Corporation
VSIP	Visakhapatnam Slum Improvement Project
CHIS-II	Chinagadili Habitat Improvement Scheme Phase II
HUDCO	Housing and Urban Development Corporation
NIRPHAD	Naujil Integrated Project for Health and Development
PHCC	Palani Hills Conservation Council
RDO	Rural Development Organisation
SHARE	Self Help Association for Rural Education and Employment

While a wide range of interventions can contribute to poverty reduction in a broad or long term sense, our focus here is on those interventions which are most likely to have a direct impact on the lives of the poor. In addition the choice deliberately included projects that have been completed, projects that have been under implementation for some years and projects of recent origin.. Although the assessment of impact is more difficult for recent projects, some are included to reflect current donor (and Indian) policies and approaches.

Method of project assessment

Assessments were based on project documents, review and evaluation reports on process, inputs and impact, together with field studies, spending on average a week (incl. travel) on a project but with considerable variation according to their location and complexity. This did not permit in-depth impact studies, but was considered sufficient for some assessment.

A common approach was adopted and most information was obtained through interviews with the following types of person:

1. Project personnel (managers at various levels, field staff etc.).
2. Responsible persons in local government and administration (e.g. panchayat members, BDO officers or local officers under respective line ministry).
3. Persons independent of the project(e.g. belonging to NGOs, professionals, teachers).
4. Beneficiaries. Men and women from different castes/ethnic groups. Poor, average and well-to-do.
5. Non-beneficiaries. Persons in a similar situation to the beneficiaries, but outside the project's target group.

Project personnel and beneficiaries were covered in all cases but the other categories to the extent possible.

Within projects there has been a selection of significant components of the project to be covered.: only those that weigh heavily in the project and/or are particularly interesting from a poverty perspective Second, within each of these components one or more project localities have been selected. Where there were many such localities this has been done by random sampling or purposive selection according to relevant criteria. Third, within each of the localities a number of beneficiaries (and ideally also non-beneficiaries) have been selected – either at random or purposively to cover gender, socio-economic status etc. This procedure of course includes arbitrary elements, but it should be adequate for an assessment. Overall, therefore it has been an approach of ‘purposive sampling’ rather than ‘random sampling’ given the time constraints on the research.

The assessment of the effectiveness of a particular intervention in terms of poverty reduction has been based on the four dimensions of poverty and poverty reduction set out earlier (in Section 3.1), viz. livelihoods (improvement-impovertishment), resources (access-exclusion), knowledge (expansion-reduction) and rights (participation-alienation).

6.2 The results: assessment scores

The assessments in Table 6.2 deal with a total of 16 dimensions (or indicators) of each project which are seen to be relevant to effective poverty reduction. They cover their design and implementation in respect of targeting, gender sensitivity and participation. Projects are scored for

their likely sustainability, replicability and monitoring and their impact on poverty categorised in four dimensions outlined above. An overall judgement on poverty reduction impact is also made. The ranking system scores interventions as either substantially positive, moderately positive or negligible (in only one case was the assessment negative).

This table which groups the 33 interventions according to their sector, should be interpreted with some caution. Needless to say, it is difficult to summarise important and complex dimensions in projects in a single ++, + or 0. In all cases justice to each and every dimension of every project may not have been done. What is lacking from these assessments is the type of data that comes from long-term monitoring involving longitudinal benchmark surveys and similar methods. The result should be seen therefore as more broadly indicative, and taken as a whole we believe that the table provides some clues to where some of the strengths and some of the weaknesses lie. These strengths and weaknesses will be explored more fully in the following chapter 7.

Table 6.2: Assessment of projects taken up in this study

	1	2	3	4	5	6	7	
Sector	Watershed	Watershed	Watershed	Watershed	Irrigation	Irrigation	Irrigation	
Project	KWDP	DVP	KIWMP	KAWAD	TIPP-II	OLIP	TRP	
Donor	Danida	EU	KfW	DFID	DGIS	KfW	EU	
State	Karn.	UP	Karn.	Karn.	Karn.	Orissa	TN	
Project Dates	1990–97	93–2001	94–2000	1997–?	1996–?	n.av.	1984–	
Conceptualisation of poverty	0	0	0	++	+	0	+	
Poverty orientation (design)	Indirect	Indirect	Indirect	Direct	Indirect	Indirect	Indirect	
Targeting: design	+	0	+	++	++	+	0	
Targeting: implementation	+	+	+	n.ap.	n.ap.	+	n.av.	
Gender: design	+	+	+	+	+	0	0	
Gender: implementation	+	+	0	n.ap.	+	n.av.	n.av.	
Participation: design	0	0	0	+	0	0	0	
Participation: implementation	+	+	+	++	+	+	+	
Sustainability	+	+	+	++	n.ap.	n.av.	n.av.	
Replicability	+	0	+	+	n.ap.	n.av.	n.av.	
Monitoring and evaluation	0	0	0	n.ap.	n.ap.	n.av.	n.av.	
Impact								
	Livelihoods	+	+	n.ap.	n.ap.	n.ap.	++	+

	Resources	+	+	n.ap.	n.ap.	+	n.av.	n.av.
Impact (continued)	Knowledge	+	+	n.ap.	n.ap.	n.ap.	n.av.	n.av.
	Rights/entitlements	+	+	n.ap.	n.ap.	+	n.av.	n.av.
	Overall	+	+	n.ap.	n.ap.	n.ap.	n.av.	n.av.

	8	9	10	11	12	13	14	
Sector	Forestry	Forestry	Forestry	Water	Water	Water	Water	
Project	JFMP	BAIF	SFP	SP-VI	SP-VIII	IRS&WS	IRWSS	
Donor	DFID	Danida	Sida	DGIS	DGIS	Danida	DGIS	
State	Karn.	Karn.	Orissa	UP	UP	Karn.	Karn.	
Project Dates	1992–98	1990–97	1983–96	1987–	1995–	89–2000	1993–	
Conceptualisation of poverty	0	0	0	0	+	0	+	
Poverty orientation (design)	Other	Direct	Indirect	Indirect	Indirect	Indirect	Indirect	
Targeting: design	0	+	+	+	+	+	+	
Targeting: implementation	0	0	0	0	0	0	n.ap.	
Gender: design	0	+	0	+	++	++	++	
Gender: implementation	+	+	0	0	+	+	n.ap.	
Participation: design	0	0	0	+	++	++	++	
Participation: implementation	++	++	+	0	0	0	n.ap.	
Sustainability	++	0	0	0	n.ap.	0	n.ap.	
Replicability	++	+	0	0	n.ap.	0	n.ap.	
Monitoring and evaluation	++	+	+	0	n.ap.	0	n.ap.	
Impact	Livelihoods	+	++	+	0	n.ap.	0	n.ap.
	Resources	+	++	+	+	n.ap.	+	n.ap.
	Knowledge	+	+	+	0	n.ap.	0	n.ap.
	Rights/entitlements	+	+	+	0	n.ap.	0	n.ap.

	Overall	+	+	+	0	n.ap.	0	n.ap.
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	15	16	17	18	19	20	21
Sector	Health	Health	Health	Education	Education	Education	Women
Project	ADP	ADP	ICDS	DPEP	DPEP	LJ	WYTEP
Donor	DFID	Danida	Sida	EU	DFID	Sida	Danida
State	Orissa	TN	TN	MP	AP	Raj.	Karn.
Project Dates	1979–97	81–2000	1989–98	1995–	1996–	1992–	1982–
Conceptualisation of poverty	+	0	0	0	0	0	0
Poverty orientation (design)	Indirect	Indirect	Direct	Direct	Direct	Direct	Indirect
Targeting: design	++	0	0	++	++	++	+
Targeting: implementation	0	+	0	+	++	++	+
Gender: design	+	0	+	++	++	++	++
Gender: implementation	0	0	0	++	++	++	++
Participation: design	0	0	0	++	++	+	0
Participation: implementation	0	+	+	+	++	+	+
Sustainability	0	+	++	++	++	++	+
Replicability	0	+	++	++	++	+	++
Monitoring and evaluation	++	+	0	++	++	+	+
Impact	Livelihoods	0	0	0	0	0	+
	Resources	+	+	+	++	++	++
	Knowledge	0	+	+	++	++	++
	Rights/entitlements	0	+	+	+	+	+
	Overall	0	+	+	++	++	++

	22	23	24	25	26	27	28	
Sector	Women	Women	Slums	Slums	Slums	Slums	Slums	
Project	TEWA	MS	BUPP	HDFC	VSIP	CHIS-II	HUDCO	
Donor	Danida	DGIS	DGIS	KfW	DFID	DFID	KfW	
State	Orissa	UP	Karn.	Kerala	AP	AP	Kerala	
Project Dates	87–2000	1988–97	1993–	n.av.	1988–96	1996–98	n.av.	
Conceptualisation of poverty	0	+	+	+	++	+	0	
Poverty orientation (design)	Indirect	Direct	Direct	Direct	Direct	Direct	Indirect	
Targeting: design	+	++	+	+	++	+	0	
Targeting: implementation	+	++	+	–	+	0	n.av.	
Gender: design	++	++	++	++	++	++	n.av.	
Gender: implementation	++	++	n.av.	n.av.	n.av.	n.ap.	n.av.	
Participation: design	0	0	++	++	++	++	0	
Participation: implementation	+	++	+	0	+	0	–	
Sustainability	+	+	0	0	+	0	++	
Replicability	++	++	0	+	+	+	+	
Monitoring and evaluation	+	+	n.av.	n.av.	++	++	n.av.	
Impact	Livelihoods	+	+	+	0	++	+	0
	Resources	+	++	+	+	++	+	0
	Knowledge	+	++	n.av.	n.av.	n.av.	n.ap.	n.av.
	Rights/entitlements	+	++	0	n.av.	++	0	+
	Overall	+	++	+	+	++	+	n.av.

	29	30	31	32	33	
Sector	NGOs	NGOs	NGOs	NGOs	NGOs	
Project	NIRPHAD	PHCC	RDO	SHARE	Homo Sap.	
Donor	Danida	Danida	GTZ	GTZ	GTZ	
State	UP	TN	TN	TN	AP	
Project Dates	n.av.	n.av.	n.av.	n.av.	n.av.	
Conceptualisation of poverty	++	++	++	++	++	
Poverty orientation (design)	Indirect	Indirect	Direct	Direct	Indirect	
Targeting: design	+	+	++	++	+	
Targeting: implementation	0	+	++	++	+	
Gender: design	+	+	+	++	+	
Gender: implementation	+	+	+	++	+	
Participation: design	0	0	0	++	0	
Participation: implementation	++	+	+	++	+	
Sustainability	++	+	+	n.av.	+	
Replicability	++	++	++	++	++	
Monitoring and evaluation	n.av.	n.av.	n.av.	n.av.	n.av.	
Impact	Livelihoods	++	+	+	++	n.av.
	Resources	++	+	++	++	n.av.
	Knowledge	++	+	+	+	n.av.
	Rights/entitlements	+	+	+	+	n.av.
	Overall	++	+	+	++	n.av.

Key:

++ substantially positive
 0 negligible
 n.av not available

+ moderately positive
 - negative or adverse
 n.ap. not applicable

6.3 The overall picture: impact and sustainability of European funded interventions

The overall assessment is summarised in Table 8.1 in the Conclusions of this study. There is considerable variation between sectors and donors on the one hand but at the same time, a degree of success overall that is far from depressing. The table shows that, of 24 projects for which there was sufficient information to make an assessment, 8 were found to have had a substantially positive impact on poverty reduction while 13 were assessed as having had a moderately positive impact while 3 had a negligible impact. Most of the remaining 9 projects examined are too recent in origin to have produced a measurable impact. Projects with a direct poverty orientation are achieving their overall objectives quite successfully and those with an indirect poverty orientation are having a positive impact in more than 70% of cases. The sustainability of the improvements in the 1990s and of the process of change underway cannot be assessed with any certainty as yet.

7. Lessons in Poverty Reduction: Sector by Sector

This chapter draws some conclusions and lessons from experience in the different sectors and areas where potentially poverty reducing interventions were undertaken by the six donors. It points to some important problems that have arisen and makes suggestions for change to make interventions more effective in helping the poor. These observations are based on experience which emerged from the 33 individual case studies set out in chapter 6, within the framework of the sector studies especially commissioned for this project (see Introduction).

7.1 Watershed development projects

Four projects assisted by EC, Denmark, Germany and UK, have been assessed as part of this study (see Tables 6.1 and 6.2). All the projects have planting activities and soil and water conservation measures as their core components. An important feature of the projects is their location. Phase I of KWDP/Dan. was located in a transitional zone – from semi-arid to humid and partly hilly – in the northwestern part of Karnataka in a region which by and large is quite developed. In Phase II the project will shift to two drier, poorer and more remote districts. This will tend to strengthen the poverty orientation. With hindsight it would clearly have been preferable if Phase I had been implemented earlier in these districts. DVP/EC is implemented in Doon Valley (and an adjoining part of Tehri Garwal) in the Himalayan/Siwalik foothills in a hilly zone with a fragile ecology (erosion), but quite developed in many respects. Actually Dehra Dun District has one of the highest per capita incomes in Uttar Pradesh. The project, however, focuses on the upper, relatively remote slopes of the valley where people are considerably poorer than further down in the valley. KIWMP/KfW is located in the dry parts of three districts in the relatively developed Southern part of Karnataka. Finally, KAWAD/ODA will be implemented in fairly remote, dry and drought prone districts in northeastern Karnataka. Since the watershed projects are essentially a land-based activity it is quite obvious that location in a dry and remote region increases the likelihood of benefiting really poor people. On the other hand it is administratively more difficult and cumbersome to work in such regions.

Poverty in all the projects is primarily seen in economic terms as low income and lack of employment opportunities. But in most cases other dimensions are also taken into account such as inadequate drinking water facilities, shortage of fuel and fodder and food insecurity. In some cases drudgery in women's work, the long hours spent on fetching water, fuel and fodder, is also considered.

Only the most recent project (KAWAD/ODA) has PR as primary objective. The selection of watersheds to be treated under this project emphasises the poverty orientation in so far as about 70% of the population is stated to be below the poverty line and the SC/ST population over 40%. Socio-economic criteria (e.g. per capita income, percentage of small and marginal farmers) have played a certain role in selection of the watersheds under the other projects, least so in KIWMP/KfW, but by and large the main emphasis has been on agro-climatic characteristics (degradation, rainfall, slope etc.). Similarly in these projects the environmental objectives (conservation, eco-restoration) tend to be prioritised, but in all the projects there is a concern that the poor should get their share of project benefits.

In all the projects under implementation the potential beneficiaries have had no initial influence on project identification and design, but all projects try to employ participatory methods in implementation. This in some cases includes the use of Participatory Rural Appraisals (PRAs) and related methods which – notably in DVP/EC – have resulted in amendments of the project plans. And in all the projects a number of committees are formed at various levels and for different purposes, but with the common aim of involving the beneficiaries directly in project activities and particularly the maintenance of assets created.

In watershed development projects sustainability has a number of connotations. By definition such projects should contribute to environmental sustainability and there is no doubt that this is the case with the projects studied here, notably in terms of improving *in situ* moisture conservation. The extent and quality of this contribution of course varies from project to project and from component to component, depending among other things on the technical solutions in the soil and water conservation works. Economic and institutional sustainability are important dimensions of sustainability. The viability of the various watershed and village committees and users' groups, set up under the projects, is thus crucial. Although it is too early to judge, a few observations may be in order. In KWDP/Dan., Phase I, there is a grave risk that these committees may not survive when the project withdraws (Phase II has been shifted to another area). The committees have not been able to accumulate funds (for maintenance etc.) on any significant scale. The prospects are somewhat better for the village committees set up under the DVP/EC; some of them have accumulated considerable funds

Two of the projects studied – KIWMP/KfW and KAWAD/ODA – are so new that it is impossible to assess any impact. The same applies to KWDP/Dan., Phase II. So the following (two paragraphs) is confined to KWDP/Dan, Phase I, and DVP/EC. It has to be remembered that poverty reduction has not been the main objective of any of these, and both projects have certainly contributed to their main eco-restoration objective. They have also led to improvements in crop yields and better availability of fodder as well as a number of secondary benefits from income generation activities and distributed implements and utensils. But the assessment largely deals with impact in terms of poverty reduction.

In the case of KWDP/Dan, Phase I, after two years a sample survey was conducted which proved that most of the benefits had been cornered by persons outside the target group. Whereas the project documents stipulated that a special effort should be made to reach small and marginal farmers, constituting 65% of the watershed communities, it became clear that in practice big farmers were the primary beneficiaries, generally receiving 50–80% of the project benefits. Later, however, the distribution of benefits has been better.

In the DVP/EC it is clear that some of the major components of the project, notably irrigation and soil conservation, have benefited mainly farmers who are slightly better off. Social forestry has a

potential to benefit also, or even primarily, poorer sections, including the landless and SCs/STs, but it depends on the way these common resources are managed. At present it is too early to assess. Users' groups could play a major role in this. The various income generating activities supported by the project have mostly been taken up by women's groups. Apart from the material benefits this has also contributed to empowerment.

Conclusions and suggestions

- Until now the major benefits from the watershed development projects have accrued to the landowners, and the slightly bigger farmers have received a disproportionately great share. This is both because they own more land and because, generally, they are more powerful and use their power to take care of their own interests.
- All the projects studied, however, in various ways try to ensure that some of the benefits are directed towards the economically weaker sections (marginal farmers, landless labourers, SCs/STs, women etc.). This is accomplished to some extent, varying from project to project.
- Since watershed development projects are land-based activities it is difficult to avoid the outcome that the landowners become the major beneficiaries. Nevertheless, there are a number of ways to ensure that watershed development projects address environmental, productivity and equity concerns and contribute to poverty reduction:
- Poverty reduction should be established initially as (one of) the primary objective(s).
- Watershed development projects should have a component of non-land-based activities, specifically targeted at the poor. A shift from land-based to biomass-based activities would allow landless people access as well as a shift from privately owned lands to common lands. The poor should get equal or (preferably) preferential access to the usufructs from common lands.
- Treatment of the watersheds should always start from above, both owing to ecological considerations and because more poor people tend to live here.
- In selection of watersheds for treatment, emphasis should be put on the prevalence of poverty in addition to ecological factors.
- The soil and water conservation works on private lands should at least give the small and marginal farmers their proportionate share and they could be partly or wholly exempted from payment for inputs.
- The poor should have preferential access to the employment created under the watershed schemes.
- Although it is logical to implement the watershed development projects strictly on a watershed (and sub- and micro-watershed) basis this may create tensions where parts of the villages are being left out. As far as possible the projects should include whole villages, even where this is in conflict with the watershed boundaries.
- All projects are using participatory methods to a greater or smaller extent. However, participation so far has been largely limited to the implementation phase. Even here it is a matter

for discussion how real the participation is. It will take a long time to make the watershed and village committees effective partners in decision making.

- While participatory approaches are clearly necessary they are not without problems. The watershed and village committees tend to be dominated by better off (male) farmers, usually from the dominant caste. In order to reach the poor it is necessary to take participation one step further and support the organisation of more homogeneous groups of poor people (self-help groups).
- All projects try to ensure that women are involved and receive some of the benefits. In the two projects that have been under implementation for some years, women's committees have been organised and women have received both (secondary) material benefits and gained in self-confidence.
- So far most of the projects have provided the inputs free of cost. This is clearly a problem for replicability and it also contributes to the 'dependency syndrome'. In the future those who can afford it should contribute to sharing the costs. However, it is of vital importance that a differentiated system of cost sharing is developed and that the poor are generally exempted from payment.
- Until now none of the projects under implementation has involved Panchayati Raj Institutions (PRIs) in this. In the future this may create conflicts between the committees organised under a project and the Gram Panchayats. It is interesting that two new projects in the same part of Karnataka employ completely different approaches to this, one by involving and the other by not involving the PRIs.
- There is little donor coordination – or learning from each other – in the sector. Three of the projects studied are located in Karnataka; it is conspicuous how different they are in approach. Two are even planned in the same region and there has so far been no attempts at coordination.
- Most of the monitoring in the projects deals with physical outputs. There should be more monitoring of process and poverty reach. There is a lack of benchmark surveys and indicators. One of the new projects plans to include participatory monitoring and evaluation. This should be taken up by others.

7.2 Irrigation projects

Three irrigation projects funded by European donors have been assessed as part of this study (see Tables 6.1 and 6.2).

As in watershed projects, an important feature of these irrigation projects is their location. The TIPP-II project is being implemented in a part (Distributory 36) of the Tungabhadra Reservoir (TBS) in Karnataka. To date this major irrigation scheme has not been able to achieve the target defined at the time of planning. The entire project suffers from salinity and water logging, and, even within the developed command area, the problem of receiving water at the tail end is very high. The project, moreover, shows a clear social problem centred around the settlers and local farmers. The settlers are more entrepreneurial farmers who migrated to the area from Andhra Pradesh and generally farm in the top reach of the irrigation project after obtaining land from the local farmers. Local farmers live in the villages which are normally located at the tail end of the distributory or the

canal and continue to own and cultivate in the non-irrigated areas. The third social group are migrant labourers, who settle down in the (top reach) area and, thus, add to the pressure that is already present and growing. Compared to the labourers from the area, the migrant labourers are forced into higher degrees of poverty.

TIPP-II officially has no mandate to work for the poor. Nevertheless, in the process, the project has a lot to do with the poor. The poor are identified basically as those who live in the villages at the tail end of the distributory and those that have no irrigation source. Few indicators have been developed to identify the poor: those who leased out their land, those who work as agricultural labourers and those families in which the women work as agricultural labourers. Apart from the above, the project has also identified poor labourers who have migrated into the project area. Most of them would have drawn their wages in advance and to repay the advance, they work for lower wages under inhabitable housing conditions.

Targeting not only the farming communities in the project area already shows that in TIPP-II there are various developmental issues pertaining to the villages and camps that the target group lives in. Tackling the irrigation water issue alone will not help in bringing about community participation and it alone cannot solve all the factors that are causing various problems in the project area. Up to now, the organisation of women has to be regarded as one of the major elements of the TIPP-II project.

The direct irrigation related activities of TIPP-II are not geared to construction of irrigation facilities but to a better management of the existing major irrigation canal with the aim to divide the water more equally between farmers at the top reach and at the tail end. Training of farmers therefore forms a major component of project activities as does organisation of farmers. The formation of Water Users Associations (WUAs) is instrumental to bring modifications in the distribution system, maintenance of field channels and drainages and starting other, irrigation related or not, development activities. Institutionally, TIPP-II aims at developing partnerships between the technocrats, manning the systems, and the beneficiaries. The WUAs are supposed to be one of the ways to reach such a partnership.

The three districts included in the Orissa Lift Irrigation Project, a minor irrigation scheme, are the coastal districts served by the delta of several large and small rivers. Consequently, there is abundant groundwater and surface flow available for lift irrigation. One of the advantages is that in some of the coastal districts, the backwaters do offer a chance for lift irrigation as they meander through creeks that are natural or man made. Despite this, many of the areas, which are relatively uplands, and those that are at the tail end of the project, fail to receive water for irrigation. In such areas, paddy crop is cultivated as rainfed crop. Consequently, the yields are low and the possibility to grow beyond a single crop is also limited by the non-availability of water for irrigation. The selected districts are in a flood-prone region, which is both a good choice as well as a constraint to raising more than a single crop. Many times, the crops are lost due to flooding. Consequent on such limitations imposed by nature, seasonal migration is very high in most of the areas.

Within the OLIP, small and marginal farmers are targeted. The main indicator for selecting beneficiaries is thus the size of the land. Besides, KfW also took over the general indicator used by OLIC that 60% of the beneficiaries have to be those whose annual income is less than Rs. 6,400 (i.e. below the poverty line). The Block Development Officer in OLIP should be checking upon the total holdings of the intended beneficiary to see whether or not he qualifies as a small or marginal farmer. In reality, this checking is not strictly practised and most of the times only the holding at the point of the intended lift installation is taken into account.

In OLIP, the formation of WUAs is a condition. Eventually, these WUAs are to take over the management of the lift installations constructed under the project. The major problem in this specific project is that these WUAs lack organisational and institutional training and guidance. This indicates that the ability (or inability) of the beneficiaries to bring changes in the water distribution or cropping pattern is not visualised within the project.

The formation of WUAs which then take over the management is one of the major differences between the normal OLIC approach and the one adopted in the KfW funded project. Consequently, there are efforts to bring together the beneficiaries under the institutional framework. These efforts are made more to fulfil the conditionality than with enthusiasm and realisation. The need for a sociologist is not felt. Therefore, after the organisation is formed the beneficiaries are left without any training or guidance.

The TRP, like the OLIC project, is a minor irrigation project with a large construction or rehabilitation part. The TRP includes such activities as (1) restructuring of tank bunds, sluices, surplus arrangements and improvements to supply channels; (2) restructuring of the main irrigation and drainage channels, lining, and construction of ancillary works; (3) on farm developmental works including construction of field channels to facilitate direct supply to individual holdings, but also (4) training of project staff and farmer leaders in improved system operations and better water management techniques and adoption of improved agricultural practices; and (5) project monitoring and evaluation. Emphasis in the second phase and, particularly, in the extended second phase shifted towards developing good social organisations and to training of farmers in water management practices based around the traditional systems evolved by the farmers themselves for their particular tank.

Like TIPP-II, the TRP does not have a mandate to target the poor. However, the authorities as well as the consultants claim that the project is serving the poor as the average land held in the command areas is, particularly in the extended phase, less than 2.5 acres. The process of identification of the beneficiaries has thus to be taken as the process of identification of poor. This process is simplified by taking the documents maintained by the village accountant. Normally, for every tank there is a register maintained on the area irrigated and its boundaries. A register will also provide a list of owners. Basically, all those whose names are mentioned in the register are included as beneficiary. The list is updated in a meeting of the beneficiaries. The direct beneficiaries (i.e. the ones who draw water from the tank after the rehabilitation) are fixed for each tank, as the number of people who can draw water from the tank for irrigation are decided by the land ownership within the command area. The majority of the beneficiaries within the command area owns less than 2 acres. However, it has to be noted that this holding is pertaining to the command area of the tank taken up for the rehabilitation only and not the total holding.

The TRP has in the past come across several technical constraints, such as the fact that sinking of wells in the command area reduced the supply of water from the tank. Social constraints such as the falling apart of the traditional organisation for water distribution and absentee landlordism, however, are now regarded as more important. To overcome the shortcomings of Phase I, more attention is geared to social objectives and farmers' participation. It was thought that with the reduction in the total investment, and by raising the contribution of the beneficiaries, the beneficiary will gain a right to decide the pattern of investment. To bring about greater participation of beneficiaries in Phase II, Farmers Associations (FAs) were planned with a separate budget allocation to recruit community organisers to work at the grass root level.

The nature of the FAs to be developed is left totally to the discretion of the farming community, so that they can plan it either for the specific purpose or for wide ranging issues prevailing in the

village. Once the FA gains the needed legal recognition, it is asked to form the committees and sub-committees for overseeing the progress in the work. Community organisers are to guide the FAs through various activities, to act as a bridge between the association and concerned officials, and to help the association to acquire the skills required to place their comments on the work performed through a methodology that avoids the conflict between the officials and the association.

Conclusions

- None of the projects actually and formally specifies poverty reduction as their objective. Nonetheless, the projects do target specific groups which in general are considered as belonging to the poorer sections: small and marginal farmers in the Orissa Lift Irrigation Project and the Tamil Nadu Tank Rehabilitation Project, and women and the (poorer) farmers at the tail end in TIPP-II.
- By providing possibilities for other development activities not related to irrigation, the TIPP-II has a broader concept of the dimensions of poverty than do TRP and OLIP.
- Where poorer sections of the population were principally targeted in the projects it did not automatically mean that these sections were also the principal beneficiaries.
- Despite the participatory approach adopted in all three projects, none of them actually involved intended beneficiaries in the design of the project. The projects are, thus, initiated as top-down projects.
- Participation of the beneficiaries starts at the implementation phase and is mainly given shape through setting up water users' associations. One of the major problems with these water users associations is the lack of organisational and institutional training and guidance.
- TIPP-II is the only project in which specific attention is paid to gender issues and the involvement of women. Special gender studies are undertaken to identify the problems and help the women to resolve them through participation. In this direction already women are made to realise their importance and are motivated experimentally in the village Uppal to form a women's group. An important aspect to be noted is the opportunities being explored to create alternative sources of income through alternative employment opportunities.
- The OLIP is by now the only project which shows clear indications that irrigation has contributed to improve the livelihoods (e.g. income, employment) of the beneficiaries. After the construction of the lift installations farmers were able to raise two to three crops per year where previously one crop was normal. Moreover, visual signs of the impact of the project on the livelihoods of the farming community can be seen: better housing, more demand for schooling, less migration.
- The OLIP project also shows that charging levies for irrigation water certainly is possible. Complaints about the water charges levied were rare.

7.3 Forestry projects

Three forestry projects were selected for a specific assessment of the experience of European aid for poverty reduction in the sector. (see Tables 6.1 and 6.2). All three projects reflect the relatively recent shift in thinking on forestry in which the effective and sustainable management of forestry and forest products is thought to be better achieved through involving the local community in local forest management through social forestry. Poverty reduction thereby becomes a direct part of the local development process and not merely the result of the contribution of forest products to national economic growth. Donors have sought to be at the forefront of these approaches themselves and to introduce innovative practices and new forms of organisation and management to the forestry sector. These have met with varying degrees of success and the problems that have arisen with donor involvement have led to a good deal of criticism being directed at the Forestry Department by donors and vice versa.

While all three projects investigated reflect the growing interest in poverty reduction as an important objective in forest policy, poverty reduction remains implicit rather than explicit in the projects' documentation and implementation. The community is usually the focus with little attempt to explore intra-community dimensions of poverty, differences in relations to forest and forest production, the different dependencies involved, or how these might be addressed within the project. Poverty is conceptualised in simple single variable terms and environmental concerns often take a higher precedence. There is also a tendency to slip into a 'stakeholder' style of analysis of the sector in which poverty and the poor possess a relatively minor status.

In the ODA-JFMP project there is no real attempt to identify the poor within the project area. The identification and targeting of the poor therefore lies in the selection of the sector (forestry) and the location (Western Ghats) and in the zonal approach adopted to identify the specific locations within the Western Ghats. In comparison, the BAIF-AF Project is targeted more towards the poor in its combination of an income approach with landownership. The Sida project focuses on a community, reflecting a general donor tendency to assume that most rural households are poor and that in forest localities they will almost all be poor.

Lack of a more focused targeting is well reflected in the projects' approaches towards female poverty. Moreover, there is little in any of the projects' approaches or in their various components that can be said to be gender specific. Women tend to be catered for on a secondary component basis rather than through more deliberate attempts to secure their access to any improvement secured by the projects, for example in distribution of the returns based upon community entitlements in forestry.

Similarly disturbing from a poverty reduction perspective is the lack of participation by beneficiaries in all three projects, particularly given that they are social forestry projects. All three are weak in bringing the participation into the project identification and design stages and in developing it in the implementation stage. In particular they fail to develop better participatory mechanisms and practices that can bring the poorest, women and the more marginalised sections into the process; neither have they achieved a better set of mechanisms by which participation in the assessment of projects can feed back into the ongoing implementation of the projects.

Given these problems, to what degree do the projects appear to be poverty reducing? According to BAIF, the beneficiaries of the BAIF-AF project should begin to see a reduction in their poverty by the fifth or sixth year of the project as the plantations mature and individual households benefit. Such a time frame is quite short given the nature of forestry. The ODA-JFMP project is expected after some 10 years to give 25% of net income from timber sales to individuals, with a further 25% going into a Village Forest Development Fund. The latter should provide for greater economic viability of the committees and their work in the future. The Sida has been operational for a long

time with social forestry in the latest phase. The project has undergone a number of changes underway and impact or benefits have suffered accordingly. Today it is difficult to see where any significant gains for the poor will emerge. One well informed senior Indian administrative officer described it as having degenerated into an infrastructure building project for the Forestry Department in which there is 'very little social and very little forestry' (Anonymous source).

The impact must also take into account the cost factor. The BAIF-AF project covering a total of 906 families in 25 villages or hamlets with a cost of 19.5m DKK (approx. 422m Rs.) over 7 years raises serious questions concerning its cost effectiveness. This is to be compared with the 45,162m Rs. Budget for the ODA-JFMP over five years which covers 294 villages and their VPCs, or the 14,981 villages covered by the Sida project costing 640m Rs. for the extension phase. A crude rupees per village measurement which sees BAIF-AF with almost 9m, ODA-JFMP with 0.15m and Sida with 0.13m, even with the different natures of the projects, must raise a question concerning the economic effectiveness of different institutional forms of intervention, if only to justify the BAIF-AF project.

Conclusions and suggestions

- Donors need to develop a better conceptual approach when incorporating poverty into their forestry sector programmes. So far conceptualisation of poverty at project level appears simplistic, weak and even non-existent. This might partly be explained by the long duration of forestry projects, with formulation predating more recent thinking. The institutional framework for forestry in India must also be partly held responsible with a history of management that has hindered or obstructed a more sophisticated approach towards poverty reduction.
- There are significant differences between the documented goals and objectives and what actually occurs during the implementation.
- There is also a lack of conceptual coordination between the partner institutions involved in a project and sometimes this also extends to the components of a project. An NGO project that fails to incorporate and build upon the Forest Protection Committees required under the JFM policy, e.g. the BAIF-AF project, is intrinsically weakened from the outset. Similarly, a component to aid women's utilisation of Non-Forest Timber Products is of little use if there is no marketing component that will enable them to secure the increased entitlements (value) that the NTFPs might realise e.g. the Sida and BAIF-AF projects. At the very least, greater participation by the potential beneficiaries/poor in all of the project's phases should be encouraged to minimise such failings. There was no such participation in the identification and planning side in the projects studied despite claims to the contrary.
- Sustainability replicability and long-term local ownership in social forestry projects is best pursued through working towards better designed projects in which the forestry department remains the principal partner rather than opting for a different institutional means of intervention.
- While projects are meant to originate from the Forestry Department or a local NGO, in practice donors can and do act pro-actively to support project identification and design. It should therefore be possible for the donors to have a far greater impact on the poverty orientation in terms of conceptualisation and operationalisation than they do at the moment. If poverty reduction is to remain a priority, donors must play an innovative role in this way.

7.4 Rural drinking water and sanitation projects

Three of the four projects assessed were co-financed by the Netherlands (DGIS) and one project was co-financed by Denmark (Danida) (see Tables 6.1 and 6.2). All projects reflect the lessons learned from the International Drinking Water Supply and Sanitation Decade. This mainly refers to the so-called software elements that are taken up in all projects: community participation, health education and also institutional changes with regard to the government delivery structure. It should, however, be taken into account that these elements are not part of the projects because of their contribution to poverty reduction but because experience has shown that without, for instance, a greater involvement of the target group in the projects, these projects are very likely to be unsustainable (see Chapter 3 section 4).

None of the projects formally specifies poverty reduction as its objective. Simultaneously, none of the projects shows a clear conceptualisation of poverty and thus of poverty reduction. The projects are principally aimed at the provision of improved drinking water and sanitation. As such, the projects are restricted to specific issues captured mainly under resources and, to some extent, knowledge but they leave out the larger part of livelihoods and rights.

All four projects state that specific attention has to be paid to women as well as the poor (the latter being described, for instance, as low income households, scheduled castes and/or scheduled tribes). The recognition of the crucial role of women in drinking water in all projects is seen, among other things, in the training of women as caretakers and the involvement of women in water committees. Although some positive experiences have been gained from the projects (notably also SP-VI), these experiences at the same time have been piecemeal and relatively limited in size considering the sheer vastness of the projects.

The specific attention to the poor does not only hold with regard to installation of drinking water facilities (i.e. making sure that these poorer groups will be able to use the facilities constructed) but also to the non-physical components taken up in the project. Whether or not this also works out in practice remains to be seen in the case of the Dutch RWS/S project in Karnataka as the implementation of this project still has to gain momentum. In the other three projects, it can be observed that despite the specific attention mentioned in project documents, all have to a large extent failed to target a substantial part of their activities at the poor. Field observations in Uttar Pradesh and Karnataka show the distribution of drinking water facilities being biased in favour of the better off sections of the population. This may be due to the location advantage (e.g. better infrastructure facilities) and, more importantly, to the power nexus. The power of the better off sections, generally, is their representation at the village meetings and the Gram Pradhans generally being elected from among themselves or through their support.

Participation of the target group, and particularly of the poor sections, has been inadequate as a result of the approach followed in which coverage determines the installation of the water supply facilities. This is partly due to the fact that the water authorities in Uttar Pradesh and Karnataka, responsible for the construction part, are and principally remain, technically-oriented organisations. Involvement of the target group in the selection of sites, considered to be an important part in the process of creating a feeling of ownership and increasing usage, has been part of the SP-VI project but only for those handpumps that were left after the start of PSU's involvement. This makes SP-VIII the first Dutch project in the sector in Uttar Pradesh in which community participation and hygiene education have been introduced from the very start.

In all projects, operation and maintenance (O&M) are supposed to be dealt with mainly by the users themselves. For this, some projects have set up local bodies, so-called water committees while others regard the Gram Panchayat as the local body. The water committees eventually are subject to the locally elected Gram Panchayats. Sustainability then depends largely on the possibilities of these Gram Panchayats to raise sufficient funds for maintenance and on the availability of trained people to do the job. Training of caretakers is an explicit part of some of the projects and has to be regarded as essential. Field observations revealed that caretakers are not available in all villages. Raising local funds is a more recent phenomenon. In parts of the SP-VIII project, specific activities have been initiated to raise local funds by introducing a user-fee which is collected by the Gram Panchayat and intended to be used for preventive and break-down maintenance of the handpump. Until such local systems are in place in all projects, dependence for maintenance rests largely with the state water authorities. Considering the general lack of funds for O&M at the state level this means that the sustainability of the projects can be seriously questioned.

Sustainability is also determined by the availability of alternative drinking water sources in the villages. In the choice of technology in the projects no attention has been paid to the existing drinking water situation in the villages (i.e. existing open wells, handpumps etc.). Field observations, however, reveal that the traditional sources of drinking water and sanitation play a significant role. The inhabitants of the villages in SP-VI and SP-VIII, who have shallow handpumps or live close to such facilities, use these mainly for cooking and drinking while the water from the deep handpumps installed under the projects are used for bathing, washing and animals. In the Danida supported project in Karnataka, the villagers generally use the water from the handpumps and minipiped water schemes for all purposes including drinking and cooking. The general abundance of alternative sources in UP and the use made of these unsafe sources for drinking purposes indicate that inadequate concern has been generated through health education activities. This also seems to be the main reason for the fact that institutional latrines (i.e. at schools) are hardly used and in many cases damaged.

Conclusions and suggestions

- The projects are all conceived as integrated projects in which next to the provision of safe drinking water facilities, attention is paid to such issues as health education, environmental sanitation and community participation. In practice this integration is not achieved and certainly not on a scale large enough to cover the entire project areas.
- The projects are mainly grouped under poverty reduction because they aim to provide one of the amenities to the rural population which is considered to be relevant for the physical well-being of that rural population. The main aim is thus on improving the health situation of the target group and it is in targeting we can see that these projects thereby pay (some) attention to the position of the poor and as such to the equity issue.
- In general, the projects do not get much further than the statement that special attention should be paid to what are normally conceived poorer sections: scheduled castes, scheduled tribes and women.
- As with basically all drinking water projects implemented by the Indian state water authorities (which up to now have been mainly focused on the problem village concept), the four projects under discussion here have entire villages as their immediate target, thus including the total population of these villages. In this regard it is important to pay specific attention to the equity

question (i.e. are all sections of the population able to benefit from the facilities constructed under the project?).

- The traditional coverage approach adopted by all projects led to the failure to target a substantial part of the project's activities at the poor.
- Local ownership is considered important in light of the need for proper operation and maintenance. Local, however, is not so much conceived as direct ownership by individual people but as ownership by the local elected bodies (i.e. Gram Panchayats) as they are regarded as being the proper entity to look after O&M. Considering the substantial lack of involvement of the poor in these Gram Panchayats it is not to be expected that this type of local ownership will automatically benefit the poor and thus contribute to poverty reduction.
- Raising user-fees as a means of creating the possibilities for local maintenance of the water facilities is a relatively new issue in drinking water supply in India and is reflected in recent projects. In this regard, it is important to look at the possibilities for involvement of the poor in this. Are they capable of providing such contributions and if they are not, what does that mean for the maintenance of the water supply facilities in their part of the village? In general, the projects under discussion pay insufficient attention to this issue. Specific activities directed at increasing the probability that the poor in the village can and will participate in the user-fees system (e.g. income generating activities) are not undertaken.
- Probably the major drawback of the projects when looking at the possibilities for replicability and scaling-up, is funding. Those project activities that have to be considered essential in creating a better local environment for maintenance are basically financed by donor funds. The question seems justified whether the Indian and state governments would be willing to take over these activities. Without sufficient time and funds made available for community participation and health education activities it is to be expected that the possibilities for replication are severely limited.

7.5 Health and family welfare projects

Three projects were covered; the Area Development Project (ADP) in Orissa funded by DFID /ODA, the Area Development Project (ADP) funded by Danida in two Districts of Tamil Nadu and the Sida-supported Integrated Child Development Services Scheme (ICDS) in Tamil Nadu (see Tables 6.1 and 6.2).

In all three cases, the project documentation did not spell out the linkages between project activities and poverty reduction. The Sida and Danida documents did not define target groups very explicitly, while the ODA's Phase 2 document states that the main beneficiaries are intended to be the poor, especially in tribal areas. It demonstrates a good understanding of the demand-side contributing to the low levels of utilisation of health services by the poor, and thus stresses better communication of health information, including in tribal languages, and better training and mobility of health workers. At a more macro level, the ADP/ODA project is better targeted at the poor, given Orissa's status as one of India's poorest states, whereas Tamil Nadu stands as one of the five states with the best health and other socio-economic profiles.

Danida did prepare a separate report on 'Women in development'. However, it showed that gender analysis was not integrated into the design or implementation, and that little information is available

on the extent to which the poorest women have benefited in terms of status, workload, and income earning capabilities. Despite this, both the ADPs had an implicit emphasis on women's development since the principal beneficiaries have been women, as are the main service providers, whose status, income earning capacities and living conditions were improved by the project's activities. ODA project documentation took gender specifically into account, alongside caste, class and ethnicity, but with little evidence of this being a focus of implementation. The ICDS/Sida project did not take specific account of the disadvantaged position of women, except in its inclusion of an 'adolescent girls scheme'. This had brought only marginal benefits, with the training not being sufficiently oriented towards improving income-earning potential.

The poor and marginalised, including women and scheduled castes and tribes, suffer a social, cultural and physical isolation that limits their access to health care. Barriers to access are reinforced by their lack of knowledge of available services, language differences, poor access to cash, restricted ability to travel, and gender or caste intolerance. This underlines the importance of knowledge dissemination and community participation activities. Yet, with a few qualifications, in all three projects measures designed to elicit the involvement of local people were either missing, ill-thought out or poorly implemented. Despite considerable rhetoric, participation was accorded a low priority at each phase of all three projects, though less so in the ICDS/Sida project. The consequences of this failure have been many and serious, including continuing low levels of utilisation, lack of ownership and absence of maintenance.

There was little or no participation of the poor in the identification and design phases of the project cycle. Involvement might have resulted in less being spent on buildings, since evaluations of both the ODA and Danida ADPs showed that buildings alone had little impact on the quality of health services or the use made of them. The value buildings did have was undermined by poor site selection, again done in a non-participatory fashion. The top-down approach of the government/donor partnership resulted in severe maintenance problems. Danida achieved some success by involving the community in construction by creating Village Health Councils, with a cost saving of one-third, better quality of construction, and higher levels of utilisation. However, community participation in construction was not capitalised upon, and did not become an entry point for wider community involvement, and most Councils became defunct, lacking active involvement in decision-making.

The ICDS-Sida project was no more participatory in terms of site selection, construction, maintenance and overall planning, but it did include activities intended to mobilise communities in support of the ICDS objectives, such as mass campaigns, motivation days, and ICDS centre days. It has been quite successful in some areas in popularising the activities of the ICDS centres, and making them a community focal point.

Both ADP projects stressed that participatory Information, Education and Communication (IEC) activities were a vital component of any strategy to increase utilisation levels. Yet it was not until 14 years into the ADP/ODA project that a social development officer was appointed, who then remained in post for only two years. Senior officials played lip service to community participation, but provided little guidance. The social development officer helped set up 220 women's groups in one district, but these collapsed soon after she left in the absence of adequate arrangements to ensure that the government took over responsibility.

A similar picture of neglect of IEC activities emerges in the ADP/Danida project. Despite criticism in Danida's 1986 evaluation, the 1996 evaluation again concluded that 'at all levels IEC activities were low on the priority list'.

Some aspects of staff training in the ADP/Danida case were successful. The District Training Teams set up in Phase 1 were, in Phase 2, integrated into a higher level institutional framework, the Health Manpower Development Institutes. This provided an appropriate institutional framework for training delivery, unlike in the ADP/ODA project. ODA's Phase II continued to implement training and IEC activities on a *ad hoc* basis. A state-level institution for training and communication activities was created with project support, but only in 1995, leaving the impression that the cart came before the horse; there were physical structures (District Training Unit offices) long before there was any strategy on how to operationalise them.

The prospects for sustaining benefits appear to be highest in the ICDS-Sida project and lowest in the ADP/ODA case. One factor has been the success of the ICDS project in building links between different parts of the Tamil Nadu government machinery, reducing suspicion and increasing cooperation between the health and social sector branches. Sida's innovative approaches, such as low-cost teaching aids, cooking classes and kitchen gardens, have been replicated by non-Sida ICDS centres across the state, backed by the Government of Tamil Nadu's commitment to maintaining all aspects of ICDS which benefit the poor, despite budgetary pressures. Where success has derived from higher staff levels, benefits are unlikely to be sustainable.

The ADP/Danida project seeks in Phase 3 to ensure sustainable benefits from its investment in buildings by vesting responsibility for construction and maintenance with the local panchayats, in partnership with the Government of Tamil Nadu and the local community. The project document for the proposed ODA Phase 3 highlights the rapidly deteriorating state of the huge investments in health buildings made during Phases 1 and 2. Without the successful implementation of major health sector reform measures, the prospects for sustaining (or generating) benefits appear slight.

ODA made the most serious efforts to assess impact on the poor target groups, but its reports conclude that 'it is difficult to discern any project impact at all in terms of improved health service efficiency or quality of care.' A separate ODA study comparing districts where ODA had supported women's groups with other areas showed higher rates of utilisation among the former, but this was severely handicapped by top-down implementation, lack of training in social mobilisation, and the absence of monitoring. Buildings were the most significant output of the ADP/ODA project, but their impact on quality of service and utilisation levels appears small.

Less evidence is available to assess the impact of the Danida- or Sida-supported interventions. Danida's own evaluation (1996) indicates that the feedback and monitoring system has been very weak and has yielded little information on impact. The ADP/Danida project achieved some positive results by increasing participation in construction, contributing to higher levels of awareness and utilisation, but overall its efforts to mobilise demand were unsuccessful. There is some evidence that the health status of mothers and children has improved and malnutrition fallen where Sida-assisted ICDS centres have been established. Field evidence suggests that ICDS centres are positively viewed by beneficiaries, the majority of whom are poor, and this has been reflected in increased levels of attendance. Some of the beneficial impact of the Sida-assisted project has been compromised by recurrent delays in releasing funds by the state government.

Conclusions and suggestions

- Where the policy and institutional environment is very unfavourable, a sector reform approach may be more effective. The three projects studied sought to bring benefits to those marginalised by the health system without considering state level reform, and thus project impact was

moderated through the existing financial, managerial and institutional mechanisms. This proved to be a very serious handicap, particularly to the ADP/ODA project.

- The sector reform approach does also present risks, namely that working on upstream issues may lead to a loss of focus on the service users – the poor.
- The low utilisation rates in the ADP projects in particular suggest they are not providing what people want. A major component of this has been an insufficient emphasis on simple curative services as well as preventive care. The poor, like anyone else, want services which are appropriate and of sufficient quality. The ADP projects have given too much weight to improving physical accessibility of health services and not enough to quality and appropriateness.
- The gap between design and implementation is large. Community mobilisation received low priority in practice and was largely unsuccessful.
- Knowledge on effective Information, Education and Communication (IEC) strategies is not lacking – but donor and government prioritisation of IEC is. IEC requires monitoring and evaluation, should be given priority at the project planning stage and should involve beneficiaries.
- Failure to invest time in seeking the views of beneficiaries resulted in ill-sited health facilities, limiting access and attractiveness to users and health workers alike, and thus reducing impact on the poor and undermining sustainability.
- Greater community participation delivered higher levels of utilisation. These benefits would be greater if participation went beyond construction, and increased the poor's say in decision-making. This would also help remedy appalling maintenance problems.
- Genuine commitment and ownership by the state government is essential for effective sustainability and replicability. The government-donor partnership must seek to internalise project innovations as early as possible.

7.6 Primary education

Of the three major primary education projects assessed as part of this study, two form part of the District Primary Education Programme (DPEP) – Madhya Pradesh funded by the European Union and Andhra Pradesh funded by DFID/ODA. The third, Lok Jumbish in Rajasthan, is funded by Sida (see Tables 6.1 and 6.2).

Both the Lok Jumbish project document and the DPEP framework reveal an approach centred on improving both the access to and quality of educational provision. But there is no explicit reference to the contribution that each can make to reducing poverty, either in terms of bolstering rights or, in the longer run, by strengthening capabilities and improving livelihoods. This lack of emphasis on poverty reduction reflects the weak poverty focus, poor quality or total absence of education strategy papers within all three agencies. Nevertheless, the picture is less gloomy than it might first appear as project officials are aware of the importance of reaching the poor. This concern is apparent from the emphasis on *targeting* the poor within both DPEP and Lok Jumbish. Both projects seek to give priority to the educationally backward areas (i.e. districts in the case of DPEP and blocks in the case

of Lok Jumbish), defined in terms of female literacy rates for DPEP and average literacy rates for Lok Jumbish. As such, targeting implicitly is aimed at scheduled castes/tribes and girls, as their literacy levels consistently lag behind those of the rest of the population.

All in all, this targeting of areas of high illiteracy represents a direct attack on poverty. There is also a high positive correlation between educational backwardness and economic backwardness. In principle this is especially true of the DPEP approach, since its use of school mapping is intended to further concentrate resources on those villages and hamlets with greatest need. In practice, in both projects the most educationally deprived are not always prioritised owing to, among other things non-educational and/or political factors. Nonetheless, while this may not be ideal from the poverty reduction perspective, it remains the case that the national DPEP and Lok Jumbish guidelines specify minimum levels of illiteracy for the districts and blocks selected, meaning that all areas benefiting are needy albeit not necessarily the very worst cases.

DPEP's use of female literacy as the criterion is sensible, since it always lags behind male literacy rates, often by a substantial degree, and focusing on female illiteracy therefore contributes to reducing gender inequalities. DPEP measures designed to increase the enrolment of girls include increasing the numbers of Early Childhood Education Centres, which may free the girl child from caring for a younger sibling and thus enable her to attend school. This is seen largely as a contribution to access rather than quality, but in practice the reality may be that girls were attending school *with* their younger sibling, and thus the Early Childhood Education Centres allow them to concentrate better on learning. In both cases, however, the centres are helping to reduce the gender bias. Plans for centres are reasonably advanced in Madhya Pradesh and are proposed for Andhra Pradesh where community demand is forthcoming. A further element is the stated commitment of both DPEP and Lok Jumbish to increasing the numbers of female teachers as a means of reducing barriers to girl enrolment.

Lok Jumbish has from the start sought to make women's development part of the programme strategy rather than a separate component. One aspect of this is the priority given to increase the numbers of women working at various levels within the organisation, not simply as teachers, and with marked success. The project also has mobilised women's groups in some 700 villages in Rajasthan, and 'core teams' of three women in some 1500 villages. A recent monitoring mission found that these groups and teams had had some success in encouraging parents to permit girls to attend school, with girl enrolment rising by 4% in villages where groups are active. Both DPEP and Lok Jumbish have sought to ensure that village education committees have a minimum representation of women. The extent to which the position of women is strengthened through such measures varies, and there is evidence from all projects that women may often remain marginalised and silent members.

Although both projects reveal a design which is targeted to reaching poor people, it is vital to ask whether the poor remain in focus as one moves from the document-based strategy to the reality of implementation. A fundamental strength of both projects which has the *potential* to safeguard the pro-poor objective is their stated commitment to decentralisation. Decentralisation may be seen to have happened in practice more readily in the DPEP projects, particularly the Andhra Pradesh DPEP. In the Karimnagar District of Andhra Pradesh (primary district for the field study), there was evidence of plans having been produced at the village level, and that the village education committee and other villagers had been consulted in their preparation, though this may be less true of the other four districts. In Madhya Pradesh the planning process was more centralised, with only state and district plans in operation. Below that, participation is moderated through the Panchayati Raj and through village education committees. This presents risks as well as opportunities since Panchayati Raj members may not view education at a top priority. At the same time, local

ownership is bolstered within the DPEP as, in most cases, funds are provided to the Village Education Committees. Lok Jumbish does not have plans developed at the village level, only lists of activities, and in practice appears to operate in a less decentralised fashion and there are no such mechanisms for decentralising petty funds to the village level.

DPEP in Andhra Pradesh, and in Karimnagar in particular, has so far been highly successful in its social mobilisation. This is reflected in the unprecedentedly high levels of contributions made by villagers towards the construction of a village school or additional classrooms. This has practical benefits, including a new conviction that as it is their school and not a government school they have the right to insist that teachers attend regularly – teacher absenteeism being a very serious problem in rural areas. Involving the community from the start has, in Andhra Pradesh, kindled a willingness in many villages to contribute their labour free and to use locally available materials which are free or low cost, resulting in large savings and sometimes a better quality of construction. In Madhya Pradesh contributions are voluntary and far lower, possibly because DPEP officials are approaching participation in a more mechanistic way, and thus not realising its full potential. In Lok Jumbish no contributions are expected.

DPEP's framework specifically identifies building institutional capacities at all levels as the *sine qua non* for ensuring sustainability of the system. It has sought to strengthen and augment the existing education sector institutions, such as the state and district level research and training institutes. It has also created a new organisational and professional support organisations, such as State Institutes of Educational Management and Training and Block and Cluster Resource Centres, all of which are designed to become an integral part of the state and district level administration. Finally, mobilisation activities have been supported through local level committees, such as the village education committees and parent-teacher associations, supported by the block, cluster and district level administration. This is functioning better in some districts than in others, but in general the care to ensure that DPEP has institutional roots bodes well for its sustainability. The prospects for success of this enterprise – building institutional capacities – are enhanced by the genuine strides towards decentralisation taken by DPEP.

Clearly, Lok Jumbish has also sought to ensure that the benefits it delivers are sustainable. Its approach is different to DPEP, as is illustrated by the description in its 1997 Report of the 'handing over' by the state of District Institutes of Education and Training (DIETs) to Lok Jumbish project. The objective is that Lok Jumbish develops the three DIETs, by improving the physical facilities, building capacity and links with other educational organisations, and introducing new staff selection procedures. The hope is that these will become pace-setter institutions which can serve as a model for the reform of the rest of the state's DIETs.

The DPEP concept is founded on replicability. A national bureau was established to make it easier for donor inputs to be harnessed efficiently, and to ensure that all donors accept the nationally-defined framework thus reducing duplication. DPEP has already begun to deliver on its potential for 'mainstreaming' the lessons of experience, as many of its innovative features reflect lessons learnt from past donor-assisted projects. Lok Jumbish approaches replicability on a state-level. The intention is that the many innovations promoted within Lok Jumbish blocks can be generalised to the non-project blocks.

Although many indications augur well for the long-term sustainability, there are at least two causes for concern. The first applies to DPEP, particularly as implemented in Madhya Pradesh, and also to Lok Jumbish, namely that large numbers of new teachers appointed are at very low salaries (between 20% and 40% of the norm). This reduces start up costs, but unless new recruits receive the intensive in-service training intended by the end of the project period, they risk not being absorbed

as permanent teachers. The second cause for concern applies to DPEP, namely that it may be scaled up and replicated too fast. The recent huge inflow of World Bank funding, although welcome at one level, goes against one of the important premises of DPEP – local capacity building and decentralisation. There is some evidence of creeping centralisation and a lowering of standards, in order that district plans, for example, are approved and disbursement authorised.

Assessing the impact of the DPEP and Lok Jumbish projects on poverty will only be possible over the long term, and then only if an adequate system of monitoring and evaluation is in place. Lok Jumbish does not appear to have a universally effective monitoring and evaluation capacity, though aspects of the programme, such as the Minimum Levels of Learning component, have been rigorously assessed in 15 blocks. This suggests a very significant increase in learner achievement of about a third or more after two years of implementation. There is some debate about the adequacy of the management information systems built into DPEP. So far the information available is quantitative rather than qualitative.

There can be no doubt that both the DPEP and Lok Jumbish projects are making a very important contribution by making primary education accessible to many at society's margins. The analysis above of the targeting mechanisms, the degree of participation and the scope for sustainability and replication all suggest that future impact is likely to be positive and significant. There are, however, some components which could have a limited or even negative impact. One of them relates to the emphasis in both types of projects on the value of increasing numbers of female teachers as a means of encouraging girl child enrolment. As there tend to be few local women with sufficient education to become teachers, female teachers tend to be strangers in the local community. The commitment to increasing the numbers of female teachers, often by selecting a female as a school's second teacher, may thus mean in practice that the post becomes vacant after several years, if the teacher succeeds in arranging a transfer to a less isolated location. A second relates to the realisation that the mere inclusion of special targeting mechanisms within the project design may not bring benefits as measures must be carefully assessed against the local context. Residential schools for tribal children may not, for example, always be welcomed, since they result in children becoming culturally alienated from their families.

Conclusions and suggestions

- The creation of DPEP has transformed the nature of the donor contribution to primary education in India. Indian experts have developed a programme which is well-designed to meet the needs of the excluded, and which has integrated the lessons of Indian and donor experience. Donor-assisted projects have been very formative, but the current insistence that India coordinate and that donors accept the national framework represents a level of ownership far beyond the norm. The burden of accountability for the success of DPEP has shifted towards the Indian government, as individual donors have only limited scope to influence design and implementation. They are currently adapting to a new role as facilitators and capacity builders, a role which they claim to have desired all along. The preliminary evidence suggests that European donors are making this transition with some success. Their expertise, experience in the field and commitment to the social dimensions of development is welcomed by government officials. They are felt to serve, in some measure, as a counterweight to World Bank, which is sometimes perceived as placing output achievements before issues of quality and process.
- Lok Jumbish has had a positive impact on educational provision to the poorest in Rajasthan, both by training large numbers of teachers, providing and upgrading schools, and by paying special attention to gender disparities. Its minimum levels of learning programme has resulted in

demonstrable and significant increases in learner achievement in 15 blocks. Lok Jumbish has also sought to promote greater decentralisation, though with mixed results, and has followed a highly participatory approach. It is to be hoped that, like earlier donor-supported state projects, the lessons of Lok Jumbish will serve as a valuable input in the design and implementation of other projects or national programmes.

- It is still too early to come to any firm conclusions about DPEP's contribution to tackling the illiteracy of the poor. However, while DPEP will be more and less successful in different districts and states, it may prove itself to be the best donor-supported mechanism for bringing education to the poorest yet seen in India. In such a context, the role of donor financing of project-type interventions covering limited areas within states, such as Lok Jumbish, would need to be re-examined carefully. It may be that such projects may be felt to respond to specific local needs or have value as an alternative source of lessons based on different experiences.
- Making villagers responsible for the administration and use of even quite small sums, as in DPEP, helps sustain community participation and engender local ownership.
- Mobilising more than token community contributions to school construction increases local ownership with the positive 'knock-on' effect of reducing teacher absenteeism and improving prospects for maintenance.
- The Indian government should be encouraged to resist the temptation to scale up DPEP too rapidly, thereby undermining local capacity building, decentralisation and quality.

7.7 Projects for training women

Two types of women training projects have been studied. The first is directed at farm women and seeks to impart knowledge and skills in agricultural technology through training and extension work. The second is organised under the so-called Mahila Samakhya (Education for Women's Equality) societies in a number of Indian states. Under the Mahila Samakhya programme women are trained in a variety of skills, including literacy, but the main objective in the programme is to contribute to collective empowerment of mostly poor women through organisation of groups. Three projects, two supported by Denmark (WYTEP in Karnataka and TEWA in Orissa) and one by the Netherlands (Mahila Samakhya in Uttar Pradesh), have been selected for assessment as part of this study (see Tables 6.1 and 6.2).

The main aim of WYTEP is to increase agricultural production by providing agricultural training and extension services to selected women farmers so that they can disseminate skills to other women farmers. Small and marginal women farmers in particular are targeted in their role as agricultural producers and the training mainly deals with agriculture. But it is also an important objective to strengthen the self-confidence of women and improve their social status. The training is primarily conducted in Farmers Training Centres (FTCs) some of which have been constructed under the project. The selected women are brought to the centres for ten days training courses. The training is followed by extension work in the villages over a period of three years, carried out by female Assistant Agricultural Officers – Farm Women (AAO-FW), trained under and financed by the project.

In TEWA the overall objective, increased agricultural production (with added emphasis on food security), and the main philosophy, training small and marginal women farmers, are the same as in WYTEP. But the approach is different. Under TEWA the training of women farmers takes place in

the villages. It is carried out by Lady Village Agricultural Workers (LVAWs), trained under the project for 14 months.

The development objective of Mahila Samakhya is to provide basic educational opportunities for women – particularly poor women – in rural areas in a way which contributes to their development and empowerment. Mahila Samakhya conducts two types of training programmes, skill-based training and training aimed at imparting a new set of values and attitudes. At the core of the programme is the formation of women's groups, Mahila Sanghas, which discuss the problems faced by the women and how to overcome them. These are supported by motivators at two levels, Sakhis, who are often illiterate women trained to mobilise women and facilitate meetings at the village level, and Sahayoginis, who are more educated women with responsibility for ten village sanghas.

None of the projects studied has PR as direct objective. But all projects try to target economically weak and disadvantaged groups in such a way that PR nevertheless becomes an important outcome. Both WYTEP and TEWA bypass landless labourers. However, under TEWA there is a small component which includes landless people in such activities as mushroom growing. MS takes special care to reach the most disadvantaged women in terms of caste, class and ethnic group. Among the most vulnerable groups identified are the landless, the illiterate, the destitute, widows, woman headed households and Scheduled castes and tribes.

WYTEP was initially implemented in top-down fashion, but has moved towards more participatory approaches from the second phase. However, the target group was not involved in project identification and design, and even during implementation the extent of participatory involvement was limited. There is a tendency for the AAO-FWs to work according to a fairly rigid methodology and to convey more or less predetermined messages. Under TEWA the approach has been more participatory since the beginning, although it has also here been largely confined to the implementation phase of the project cycle. On the whole TEWA is more flexible and more conducive to learning and feed-back. The approach taken under Mahila Samakhya is more genuinely participatory. Here the point of departure is a set of principles that are quite strictly adhered to. But the entire programme is oriented towards process rather than output and there is a lot of variation and flexibility in implementation.

At the village level the sustainability of all three projects depends primarily on the viability of the women's groups created. One of the objectives of a possible third phase of WYTEP is to strengthen these groups with an added emphasis on their empowerment potential. There are also plans for training male extension workers in dealing with women farmers. When the AAO-FWs withdraw from a village, the extension work is handed over to men. It remains to be seen how this works out and also whether the link workers are sufficiently trained and motivated to continue to work as such. In TEWA the situation and problems are roughly the same as in WYTEP, but in both these projects there is at least a continued regular extension service that can take over after the project. This adds to sustainability of the results. Mahila Samakhya in contrast is not integrated in the government system and hence faces a more uncertain future. Time will show if the women's groups formed have enough viability to survive.

WYTEP has provided agricultural training and extension to a large number of women farmers in seed selection, plant protection, dryland technologies, animal husbandry, vegetable cultivation, post harvest technologies, organic farming, sericulture, vermiculture etc. Although generally the training and extension is relevant and also put into practice, the biggest problem in WYTEP has been the tendency for slightly better off women to be the main beneficiaries.

In terms of overall impact TEWA in many ways is similar to WYTEP. The training and extension activities are comparable – seed selection, plant protection, organic manure, vegetable cultivation, grain storage – but in TEWA there is more emphasis on food security. The most important difference between WYTEP and TEWA is that in the latter the training takes place in the villages. This makes it much easier for the women to take part in the training. It also means that poorer women can participate. Hence TEWA has been more successful in actually reaching the target group of small and marginal women farmers. The general level of poverty in Orissa is also much higher than in Karnataka, so on the whole TEWA is more poverty-oriented.

Mahila Samakhya, finally, has assisted the women's groups in getting better access to the various government programmes (handpumps, health facilities, school enrolment, scholarships for SCs/STs etc.). In some cases savings groups have taken up income generation activities, but in this respect the programme still has a lot to do. There is a need for more skill training. On the whole there is no doubt that the programme has contributed to empowering the women involved.

Conclusions and suggestions

- Projects for training women can be highly relevant in a poverty reduction context – both to impart technical skills and to promote an empowerment process.
- The projects studied here have been innovative in the way they have targeted women in development. Credit for this should go to the donors as well as to the Indian institutions that have played an important role in the design and implementation of the interventions. Specifically the projects for farm women have paved the way for similar government programmes in other Indian states.
- The projects under study have all contributed to poverty reduction in the wide sense. The agricultural training projects have increased productivity and improved livelihoods. The programme dealing with education for women's equality has brought some material benefits but mostly the mobilisation and organisation of the women.
- WYTEP has systematically addressed the training and extension needs of women in their role as agricultural producers but participation of many women has been difficult and many better off women and young, unmarried girls have constituted a sizeable part of the beneficiaries.
- Landless agricultural labouring women have been bypassed by both WYTEP and TEWA and it needs to be considered how this group could be included in the target group offered training.
- For the Mahila Samakhya project although something has already been done there is a need to strengthen the support to the women's groups in activities that bring direct material benefits.
- All the projects use participatory methods to some extent, least in WYTEP and most in Mahila Samakhya with TEWA somewhere in the middle. There is scope for a more participatory approach in WYTEP (and to some extent TEWA), perhaps combined with greater flexibility in design and implementation.
- Regarding sustainability, the prospects of integrating WYTEP and TEWA in the regular governmental agricultural training and extension system are quite good. The sustainability of Mahila Samakhya depends on the availability of the financial means (when the donor pulls out).

In all three projects – and particularly Mahila Samakhya – sustainability moreover depends on the viability of the women’s groups that have been formed.

- Monitoring in all the projects is largely in terms of quantitative outputs plus the financial side. There should be more monitoring of process and poverty reach. There is a lack of benchmark surveys and indicators. Under WYTEP a participatory impact evaluation has been carried out. Such evaluations should be taken up by others.

7.8 Urban slum development projects

Five urban projects have been studied, one of them, Bangalore Urban Poverty Programme (BUPP) in Bangalore (Karnataka) funded by DGIS. The ODA funded Visakhapatnam Slum Improvement Project (Andhra Pradesh) and Chinagadili Habitat Improvement Scheme Phase II (Andhra Pradesh). Finally the German (KfW) funding through existing programmes of HUDCO (building centres) and HDFC (housing). (See Tables 6.1 and 6.2). In this study two NGOs have been included: (1) the Alleppy Diocesan Society (ADS) with organisation, training for income generation, credit unions, insurance schemes, infrastructural works and marketing programmes as main activities, and (2) the Changanacherry Social Service Society (CSSS) which implements such activities as training and awareness building, community health, low cost sanitation, rehabilitation, family and child welfare, women’s empowerment, savings and credit, sericulture and other economic programmes.

The aim of the BUPP project is to develop and test a model of sustainable comprehensive urban poverty alleviation based on effective community participation. The project is implemented by a Steering Committee consisting of a specifically established Project Support Unit (to coordinate), the Government of Karnataka (e.g. Karnataka Slum Clearance Board) and local NGOs. The project initially selected 10 slums and later added another 5 to the list. Although it was considered important that an NGO was already working in some slums, also those where no NGO worked were included. Development tasks in these were taken over by the PSU. At slum level, residents were organised into groups of 20–40 families (so-called Slum Development Teams (SDTs)). The SDTs are supposed to develop plans for habitat improvements and related interventions with the support and help of the field level NGO and under overall guidance of the PSU.

Perceived as an integrated project, the BUPP promotes employment generation via promoting microcredit through a savings and credit society and integrating existing governmental and non-governmental activities in the field of income generation. In practice, however, the BUPP focuses mainly on habitat improvement and infrastructure improvement related to this. As a consequence, the project suffered from a preoccupation with land-title issues, which has plagued the project right from its inception and has led to extensive delays. These delays also arose from unrealistic expectations from NGO networking and from time consuming routing of funds. These delays have meant a lack of funds for actual implementation and stress on ‘soft’ aspects such as community mobilisation to buy time.

Problems with land titles requiring state intervention, forced the project to select only notified slums with minimal conflict over land issues. It is likely that the poorest parts of the city have not been targeted by this selection. Moreover, the groups with the least legal claims were not able to participate. All this has consequences for ownership which has shifted from the grouping of NGOs to the State government.

The Visakhapatnam project funded by ODA/DFID follows the Urban Community Development (UCD) approach which was first started in Hyderabad. The emphasis in this approach is on city wide upgrading including the provision of basic amenities and related health, education and community development inputs, and housing. The main emphasis is on organising the community into local groups which can manage the facilities created and be responsible for cost recovery. Institutionally, a UCD wing is created in the municipality to coordinate their functions with other planning interventions. At the level of each slum settlement, the community is formed into smaller groups, called Neighbourhood Committee (NC) which incorporates a women's group and a youth wing). Half the members of this NC are supposed to be women in order to address gender issues. In addition, there is a Project Steering Committee (PSC) which is to include elected representatives.

Although housing is far less important than in the BUPP, this part of the project suffers from some of the complexities of implementation mentioned above for BUPP. However, the UCD approach stressing several types of intervention, can bypass the housing component if it seems to conflict with local interests. Being basically an upgrading project paying little attention to housing it is directed at PR through its focus on those issues that are regarded as important by the poor themselves. As such, it has a comprehensive and multi-dimensional approach to poverty. The project, moreover, emphasises improvement of civic amenities and infrastructure while keeping the settlers where they are, thereby avoiding the issue of the legitimacy of land claims.

Ownership within the Visakhapatnam project is very much with ODA/DFID, which has played a strong interventionist and directive role. Indirectly, the programme is also influenced by the state and central governments since the administrative wings of the local government (rather than political representatives) play a key role. The local government and community groups have a consultative role. The sustainability of the ODA/DFID programme is dependent upon its relationship with local political agents. Till now, they have had little role, and thus while the situation is much more promising than the BUPP program, this too faces uncertainty.

The main objective of the Chinagadili project is to create conditions for sustainable poverty reduction and improvements in the quality of life of families in the Chinagadili relocation area, Visakhapatnam. The project is perceived as an integrated project covering such activities as environmental improvements, health and education activities, economic support programmes and the creation of community-based organisations. In contrast to this official description, the Chinagadili project in reality is a site and services project for poor groups resettled from central city areas in Visakhapatnam. There are some modifications in the way the community is organised in local groups to manage services and for cost recovery. Essentially, this project focuses, like BUPP, on housing. As such, it meets with the same type of criticism on targeting the poor as mentioned in the case of the BUPP. Another issue strengthens the case that the project has not targeted the poorest. Being 7 km away from the main city and 12 km from the city centre and the port where most jobs are, many of the originally resettled people at Chinagadili have returned to the city. Those who remaining and settle at Chinagadili are mostly the economically more stable groups. In the Chinagadili project, housing and infrastructure are expensive and promote civil engineering forms of solution. Not surprisingly, donor funding is critically reinforcing DFID's ownership of the project.

The KfW funding of HUDCO's building centres is also focused on housing. The centres are managed by autonomous societies (e.g. NGOs) under GoI and HUDCO guidelines. The objective is to provide cost effective, innovative and affordable technology transfer and training at the grass roots as well as decentralised production of materials and components, sales outlets, and housing guidance, counselling and information. The funding for building centres is selective and not comprehensive. The KfW funding for building centres, being a technocratic approach to PR by

those related to the building industry, does not directly address the specific and more immediate needs of the poorest in this industry. KfW funding is routed via national level agencies, the latter playing a critical directive and policy role. Local bodies (NGOs, or State housing boards) are implementors of their policy. There seems little opportunity for beneficiaries or the local government to decide on policy issues.

The implementing NGOs in the HDFC project in their own programmes focused on some of the issues faced by the poorest such as drinking water. Instead of reinforcing these interventions, HDFC focused on housing. The subsidised loans provided for housing are tied to a strict repayment schedule. This suggests that loans are mainly offered to the better-off and more stable households.

In the case of the NGOs implementing HDFC programmes, the implementing institutions have little autonomy to make foreign funding more effective. Local groups are ‘beneficiaries’, with little more than a consultative role.

Conclusions and suggestions

- The local population is not directly involved in any of the projects. Project agencies define participation in terms of consultation or in terms of non-critical issues. This erodes their credibility. Yet, integrating interventions into the local context in the light of the 74th amendment (on local government) should not only result in self-sufficient programmes, but target funds better and help to build positive political support. Moreover, the heavy donor involvement in, for instance, the ODA project in Visakhapatnam and the BUPP, has meant the strengthening of administrative wings of local and state governments, and central level political and bureaucratic interests.
- The most serious shortcoming in all projects is on the economic front. None has taken direct note of the urban economy and how these projects fit into this. The UCD approach is implicitly the least disruptive of employment provision in local economies. This is due to the programme stressing upgrading of poor groups in their existing locations which provides access to multiple economic opportunities in an urban context. In contrast, resettlement projects in the form of site and services have the most regressive impact on economic opportunities of poor groups. Attempting to replicate economic opportunities is extremely difficult.
- Considering the selective conceptualisation of poverty (i.e. with regard to housing) within most of the projects, the impact of these projects on PR is negligible at best and regressive at worst. Promoting conventional housing, being the main intervention within the HDFC, BUPP and Chinagadili projects, has a negative effect on the poorest of the poor by displacing them from central city locations which provide a multitude of employment opportunities. This is due to programmes requiring clear titles and directing beneficiaries to build according to pre-determined housing plans. Access to low interest subsidised loans means that the better placed and middle income groups and less poor groups try to move out the poorest. Hence conventional housing including sites and services, have adversely affect the economic security, health and environmental conditions of the poorest.
- NGO involvement in the three funding agencies has been quite different, running from a service-oriented role in the Visakhapatnam project to a successful microcredit programme carried out by a church-based group in the Chinagadili case. In the German case, the intermediately routing organisation plays a critical role in defining the institutional space for NGOs (e.g. restricted in HDFC and aimed at more autonomy in HUDCO). The most dominant

role, both formative and directive/supervisory, has been in the BUPP programme. Here, however, the networking between NGOs did not work out. Moreover, the rotation of NGOs in the Steering Committee (SC) has not happened. In effect, this may have also created a rift between field NGOs and those in the SC.

- In none of the projects except for the Chinagadili project, are existing representative (civic) organisations like Sangas incorporated in the implementation process. Instead, the programmes aim to create parallel organisations which in reality end up being concerned with non-critical issues.
- The projects are not likely to be sustainable after donor funds dry up except the KfW funding of HUDCO's building centres or possibly the ODA/DFID project in Visakhapatnam. Sustainability here depends largely on the possibilities to incorporate the local politicians in the project yet all approaches are de-politicised: They do not provide a space for civic representation.
- The Urban Community Development (UCD) Programme in Visakhapatnam is most effective in addressing the immediate needs of poor groups. This is particularly the case because the housing component has little prominence and the focus is then on health, education and provision of basic infrastructure and civic amenities irrespective of tenure conditions. It was also successful because it was a city-wide programme pushing policy to include slums in all categories of tenure. This is unlike the BUPP and, to an extent, the KfW, where the selection of declared slums and those households who had clear titles, meant that the poorest were neglected. The impact of employment and economic support programmes is less clear, although, in almost all cases, indirect support in terms of micro-credit organisation seems to be working well.
- The UCD-based approaches are the most comprehensive in dealing with poverty. They hold the potential to be sustainable after donor funding is withdrawn, especially if they manage to create room for elected representatives to play a more substantive role.

7.9 NGO projects

One of the noticeable developments over the past decade has been the increased willingness of the EU bilateral donors to use NGOs in the projects that they support. In most cases, NGOs have been introduced into a project in order to carry out a particular task, more often than not involving local institution building. Donor concerns with sustainability, local ownership, and the general increase in the role of local communities or user groups in project management and organisation have all contributed to this development.

Five such NGO projects have been studied, three of them funded by the GTZ Self-Help Fund and two of them funded by Danida through the Council for the Advancement of People's Action and Rural Technology (CAPART). The five NGO projects are presented in the Table 7.1 Their objectives, activities and target groups are set out in Table 7.2.

Table 7.1 Basic details on the selected NGOs

Name of the NGO	Location	Area	No. of Villages	No. of groups	Total staff	Donor agency
NIRPHAD	Mathura District, U.P.	Naujil and Mathura Blocks	123	N.A.	N.A.	Danida/CAPART

PHCC	Dindigal District, T.N.	Palani Hills, near Kodai canal	N.A.	N.A.	N.A.	Danida/CAPART
RDO	Nilgiris District, T.N.	Four blocks	56	56	17 (excl. village workers)	GTZ-SHF
SHARE	North Arcot Ambedkar District, T.N.	One block	28	*	6	GTZ-SHF
HOMO SAPIENS	Nalgonda District, A.P.	One mandal	13	10	5	GTZ-SHF

*Difficult to work out the total number of groups as the people are essentially organised around 17 craft centres. Recently, SHGs are also formed and there could be more than one SHG in each village.

One of the most significant differences between the Danida and the GTZ funded NGO projects is the latter's far greater emphasis upon developing a partnership between the donor's project and the NGOs in which capacity building is stressed. In the Danida case, there is no separate project through which to work with NGOs on the donor's side and the projects are identified and designed by the NGOs prior to being submitted via CAPART to Danida. With the GTZ-SHF partners, the emphasis is upon working towards a better situational analysis and needs assessment of the poverty situation in the locality where the NGO functions. In the case of Homo Sapiens, this resulted in a period of more than one year between the establishment of a partner relationship and the submission of a project proposal for funding. The usual practice is for a full project proposal to arrive on a donor's table within a couple of weeks of contact being established.

The GTZ/SHF practice would appear to facilitate a better approach towards poverty reduction, not least through a more sophisticated conceptualisation of poverty, a greater involvement of the poor in project identification and design, and better targeting. This is in contrast to the Danida/CAPART projects where the thinking on poverty reflected the individual philosophies of the NGOs combined with an awareness as to what is likely to be accepted by the donors, where the involvement of the poor prior to implementation was minimal, and where the targeting of the poor was not very effective. In the case of NIRPHAD, locality and possession of land were two of the most important criteria in the targeting. Landless people and women were only targeted through secondary components that were poorly conceived and experienced high failure rates. The gender dimension in the activities of all the NGOs studied, tended to be present in the overall objectives, but missing in practice, the role of women was subordinated both in terms of the design of the project components and in terms of gender sensitisation in the implementation.

Table 7.2 Objectives and activities of the selected NGOs

NGO	Stated Principal Objectives	Main Activities	Target Groups
NIRPHAD	Providing economic infrastructure to the poor so that human development occurs.	<ul style="list-style-type: none"> • Providing economic infrastructure such as agricultural extension, irrigation, livestock development • Providing infrastructure of human development 	Small and marginal farmers belonging to depressed castes.
PHCC	Protecting the deteriorating natural resources	<ul style="list-style-type: none"> • Alternative practices in agriculture and forest lands. • Suitable technologies for natural 	Small farmers owning 2 to hectares of land.

		<ul style="list-style-type: none"> resource management. Plantation of trees and perennial crops in dry lands. Creating local expertise. 	
RDO	Facilitating self-help promotion	<ul style="list-style-type: none"> Enabling the people to possess the land. Planting perennial crops on the lands controlled by the poor for the stable income flow. Education of children 	Deprived sections of the community.
SHARE	Total empowerment of the poor through income generating programmes.	<ul style="list-style-type: none"> Enabling the poor to undertake income generating activities through skill upgrading, marketing and raw material support. Providing education and support services for the poor and their children. 	The poor and marginalised women.
Homo Sapiens	Not applicable as project under formulation	Not applicable	Tribals with a focus on women

Local ownership and sustainability are intrinsic to the decision to fund NGO projects. With each of the projects studied, the fact that the NGO and the local organisation/self-help group are not the same organisation makes it difficult to assess the location of project ownership. Often the beneficiaries themselves find it difficult to separate between their own organisations and that of the NGO. For their part, the NGOs are often guilty of merging the two in practice despite their presentation of the two as being separate in their own project documents and presentations of their work. This raises serious questions both with respect to local ownership and the longer term sustainability of the projects. In addition, while withdrawal strategies for the NGOs are present in the projects' formulations, the current practice of the NGOs suggests that withdrawal will be difficult to achieve and that the generation of sustainable local organisations and the achievement of financial sustainability for such organisations are serious problems. Finally, the poverty reduction achieved in these projects is difficult to assess. The scale of the interventions is one obvious limitation, but the overall impression is that the poorest have been targeted to some degree and that they have experienced some improvement.

Conclusions and suggestions

- Since NGOs possess a potential institutional advantage that can enhance a broader development strategy, it requires that donors, NGOs and the Indian government recognise and agree as to what that role can be. Conceptual thinking on State-NGO-poor relations from a development perspective is largely absent amongst the donor agencies. Amongst the six donors studied, only BMZ appears to have anything that might be loosely described as a sector approach towards NGOs and a firm commitment to provide bilateral funds to NGOs. This has been developed within the overall framework of German aid policy and has then been communicated from BMZ down to the country level and to GTZ. Only subsequently has there been an attempt at inter-donor discussion/dialogue on the matter.
- To support local NGOs for effective poverty reduction appears to require a good partnership relationship between the bilateral donor and the partner NGO institutions. Such a partnership is

both very difficult to establish and is extremely time consuming for the donor. It is difficult because of the history of NGOs, their ideological positions vis-à-vis government and donors and foreign funding as well the existence of strong personalities as leaders and small fiefdoms among them etc. At the same time, inter-donor coordination is central to the sector not least because NGOs are getting adept at playing funding agencies off against each other. This coordination also appears to be absent.

- Intermediaries such as CAPART create one too many institutional intermediaries between the donor and the self-help group that the NGO sector is supposedly aimed at. On the other hand they do provide a solution to the delivery of bilateral funds to NGOs and they help with the problem of accountability, not least in the guaranteeing of funds.

8. Conclusions

All of the EU donors studied wished to strengthen the poverty reduction objective in their aid to India, in line with the overall objectives of the European Union. In practice, the six donors reveal considerable variation in the priority attached to poverty reduction over other objectives, through the communication of their objectives to the lower level personnel in their management systems and in putting them into operation.

While the rhetoric of poverty reduction is quite considerable and the overall impact of projects on poverty reduction is quite positive, the translation of the poverty reduction objective into operations remains a problem. While there are indications of changes underway and improvements in many areas the overall picture gives rise to serious concern for the future. Problems in a number of areas support this concern .

8.1 Donor strategies

On the basis of this research undertaken in 1997, the promotion of poverty reduction is not the ‘overarching’ or dominant priority in any of the six EU donors’ strategies in India. At best it can be seen as being a leading priority alongside a number of others. In particular the interests of trade, investment and the private sector of the donor country also figure as leading factors in the formulation and implementation of India aid strategies. One should not ignore the fact that business considerations can support the poverty reduction objective, yet with aid it would appear to be more accidental than planned. There is a strong case that such interests run counter to the poverty reduction objective and seriously erode its status and the fulfilment of its goals.

The six donors have shifted or are shifting towards a sector structuring of aid yet their sector strategies do not usually discuss how interventions within a sector contribute to the overall poverty reduction objective in the country strategy. Furthermore, for all of the donors studied the portfolios of projects and programmes are products of long engagements in delivering aid to India. Selection of sectors of concentration therefore tends to reflect past decisions in which poverty reduction has not been a priority consideration. Sectors chosen for aid appear to reflect a country’s supposed comparative advantage: Denmark linked to agriculture, Sweden to forestry, Netherlands to water etc.

8.2 On dialogue and coordination

The complexity of India for aid donors lies not only in size of the country and the extent and diversity of poverty, but also in the political and administrative complexities present. The nature and scale of the development problems, not least some 400m below the poverty line, would suggest the need for close dialogue and coordination amongst the donors and between the donors and the government. This would also support the need for greater ownership of aid-supported development strategies by the recipient government, as espoused in the sector approach towards aid.

There is, however, very little coordination between the donors and at both the union level and at the state level there is little policy dialogue. In particular there has been remarkably little attempt to discuss respective conceptions of poverty and strategies for poverty reduction on the part of the donors and the Indian government. Not only does this undermine the principle of the local ownership in policy and strategy development, it threatens the entire basis for pursuing poverty reduction successfully in a sustainable and replicable manner.

Aid constitutes about 1% of GNP and the contribution of the six EU donors is relatively small compared to that of the World Bank and Japan. The donors therefore feel that they possess little leverage on the Indian government. But if the relative size of the aid contribution to development is small, the amount of aid from the perspective of the donors is large. Second, the relative size is the basis for arguing that it is the quality and not the quantity of the aid that is important. Both dialogue with the Indian government and coordination with the other donors are therefore central to enhancing its capacity to achieve poverty reduction.

Those EU donors committed to poverty reduction could play a greater role in furthering the objective beyond the circle of EU donors. During and around the 1996 India Development Forum's meeting in Tokyo a number of the EU donors together with the UNDP were involved in efforts to put social development more firmly on the agenda of this and future IDF meetings. Previously such meetings had been dominated by macro-economic issues in which the World Bank had been central. This is an example of how greater EU coordination and pressure could increase the status of poverty reduction on the part of donors' aid strategies for India. Donor coordination and greater dialogue with the Indian government could also enhance the quality and effectiveness of that aid as well. At the very least, the UNDP's attempts at organising working groups of donors on particular themes or sectors need to be taken seriously and actively supported by the donors.

8.3 Management

The six EU donors have widely different management systems ranging from a 'hands off' approach characterised by the EC and Sida, to the 'hands on' approaches of the ODA/DFID and Danida. At the field level there is little doubt that donor technical and advisory inputs can improve the quality of project design and implementation. If the poverty reduction objectives are communicated through the donors' organisation to the field level, then there is a possibility of engaging the poor in identification and design and not just implementation and evaluation. It is also possible that the institutional and economic sustainability of projects might be improved. On the other hand, such engagement on the part of the donors could erode local ownership, undermine movement towards devolution and decentralisation, and reduce the replicability of the interventions. Much depends upon the sensitivity of the engagement by the donors.

This in turn depends upon the quality of the donor's country expertise. While the creation of a strong country base in the donor agency might increase costs, reduce efficiency in donor staff

utilisation and create complex decision-making structures, it can considerably improve the formulation and operationalisation of country strategies and aid policy objectives. It can also facilitate better dialogue with the Indian government enhancing both the innovation and the local ownership embodied in sector programming. It also provides the basis for better inter-donor coordination.

The commitment to innovation is strong amongst the donors. Yet a substantial number of the aid interventions continue to be quite standard interventions. In the Indian government there was considerable support for the introduction of new ideas and practices by the donors, but there was also a strong argument that donors should disburse allocated funds more rapidly. In the context of a bureaucracy that is quite averse to taking risks and where initiatives tend to be stifled, the donors can play a critical role in promoting innovation. The officials in the Ministry of Finance and some line ministries were ready to point to developments in participatory methods and gender specific approaches introduced by donors. It has to be accepted that promotion of such innovations might delay disbursements.

At the same time, innovations with respect to poverty reduction are more difficult as these often require a less acceptable form of change. They tend to go beyond institutional capacity building and the enhancement or improvement of existing practices. To secure the introduction and implementation of such changes often requires a greater commitment and (political) will on the part of the government partner. This requires in turn, a strong commitment from the state and the higher echelons to press such changes through. Close cooperation, the establishment of greater ownership on the part of the government for such changes, continuity in dialogue and support, require a country capacity that most of the EU donors are reluctant to commit at the present point in time. ODA/DFID perhaps is the exception to this with its decentralised BDCOD in New Delhi.

Monitoring and evaluation of aid interventions is also central to an effective system of aid management. While this has improved in recent years in India, it continues to remain very much a donor-driven affair. It is questionable as to how much benefit such monitoring and evaluation brings to more general development effectiveness. Weaknesses in monitoring and evaluation are considerable with respect to poverty reduction. The majority of reports yield very little information on the impact of donor interventions and even less on their impact upon the poor. Projects lack any attempt at baseline studies in order that change and improvement be assessed; frequently little attempt is made to assess the condition of the poor before designing and implementation starts; appraisals tend to take a standard form within narrow time limits and to be preoccupied with the technical aspects of the project. Such weaknesses have been acknowledged by some of the EU donors who are making a conscious effort to address the problem.

Joint evaluations with the Indian government have also begun to take place in recent years. A positive step, not least in terms of securing greater Indian ownership, in practice it also entails a number of problems. Such evaluations have tended to be somewhat cumbersome and there are differences of opinion concerning such matters as to how critical one might be and as to whether criticism should be made public.

8.4. Poverty objective and targeting

The starting point of the authors has been the need for a multidimensional approach to the complexity and diversity of poverty not least in terms of targeting, sustainability, and replicability. While economic criteria such as low income or inadequate consumption may provide a point of entry for identifying and locating poverty, dimensions such as lack of productive assets, social

exclusion, vulnerability, political marginalisation must be central to the design of projects and the more general formulation of programme strategies. The four dimensions used in the study were livelihoods (from improvement to impoverishment), resources (from access to exclusion), knowledge (from expansion to reduction) and rights (from possession to alienation).

Effective targeting of the poor is perceived as one of the most obvious requirements in poverty reduction and essential in many interventions if benefits are to reach the poor. From the evidence collected for this study, it is clear that most of the specific interventions supported by the six EU donors do **not** specifically target the poor. More often than not the target group is a community or a population located within a specific geographic locality. While this might avoid causing political and social frictions within a locality it also means that the interests of the poor become subsumed within those of the community or population as a whole. The rich and the powerful are likely to benefit disproportionately where this is the case.

The degree and effectiveness of targeting depends on the type of intervention, the resources that might be involved and the sector in which the intervention is located, however, the donors need to be aware of the limitations of an approach to reaching the poor by broadening the definition of the poor to include a whole community or even the rural population. Improved targeting is particularly called for in the productive sectors in which a focus on resources often leads to the wealthier sections benefiting most. For example, irrigation water is provided to land and thereby to cultivators. The beneficiaries are the cultivators in a particular locality, not merely the poor cultivators. To describe irrigation projects as targeted at the poor in a region is often a distortion of the reality unless an extremely loose definition of the poor is being utilised.

Targeting can be pursued through specific criteria (income, consumption, assets etc.) or by proxy. The latter approach is administratively easier and often politically more acceptable. It can take the form of social or geographic targeting. In social targeting a group is selected on the basis of a composition primarily of poor people, for example landless agricultural labourers, scheduled castes and tribes, or women. In geographic targeting, an area is selected on the basis of the majority of its inhabitants being poor; the size can range from hamlet up to a district or state in the case of India. While social and geographic targeting are quite common, all six of the donors could nevertheless do a great deal more to strengthen their poverty focus by enhancing these approaches.

At the same time it must be recognised that the poorest of the poor are not being adequately reached by the majority of the interventions supported by the six EU donors on the basis of the evidence collected for this study. The poorest groups are often socially and culturally excluded and geographically marginalised. They are the least able and thereby the last to access any benefits from a particular intervention. In addition to being difficult to target due to their lack of resources, assets and productive means, their exclusion leaves them disconnected from the channels and means through which development aid is delivered. Hence to reach them is costly in terms of administrative and financial resources. One conclusion that donors should perhaps draw is that it is the government that is best placed to engage with the poorest of the poor and that donors should seek to encourage and to enhance this capacity.

8.5 The state context in India

The distribution of aid to the individual states in India is not equitable. In the first half of the 1990s the five States of Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu in the west and south of India received well over half of the total amount of aid allocated to individual states. The state allocation of aid by the EU donors reflected this bias. Yet in terms of both per capita income

and other development indicators these states are not amongst the poorest and in a number of cases they are well above the average.

Conversely the four northern States of Rajasthan, Uttar Pradesh, Madhya Pradesh, Bihar and Orissa in which 40% of the total Indian population reside, receive only 20% of the state-allocated aid. Here are some of the poorest states in India. The argument that the institutions do not exist through which to reach the poor in these states, that there are problems of bureaucratic malfunctioning, corruption etc., may be correct, but it leaves the poor effectively abandoned by the donors concerned. While the EU donors support some projects in some of these States (Uttar Pradesh, Orissa), there is a clear need to address the general reluctance on the part of the donors to go further and to find ways and means by which to support poverty reduction there. If individual donors were to concentrate on different states, it might be possible to improve effectiveness in terms of the number of India's poor potentially within reach of an aid intervention.

The study suggests that there is a good deal of genuine ownership on the part of the state governments. This perhaps reflects the capacity and strength of the Indian government system in contrast to the majority of countries in Africa for example. Moreover, aid to some states, aid is of central significance in certain sectors unlike in the Union as a whole. At the same time, this strength is also a weakness when one considers the lack of ownership at the local level. Too many of the interventions are implemented through partnership government institutions in a top-down manner. The EU donors need to increase their efforts to strengthen the local ownership of projects and particularly to ensure that the intended poor beneficiaries are included in the decision-making processes.

8.6 Social and productive sector interventions

In the social sectors, especially the older generation of drinking water projects and the pedagogically oriented education projects such as ODA/DFID's APEP, there is a general lack of special mechanisms by which to target the poor and thereby to maximise poverty reduction. Social sectors need not be so sophisticated in their targeting mechanism in order to reach the poor as compared to the productive sectors (watershed, irrigation and forestry). Nevertheless social sector interventions need to address the demands for services expressed by the poor and not merely to supply services along 'traditional' lines.

Greater attention to the multidimensional nature of poverty and the inter-connectedness of different factors in both generating and reducing poverty is essential. More recent projects have moved more in this direction and evidence from the study suggests that the poor have been better served. Yet the gap between rhetoric and reality remains not least with respect to the participation of the poor in the identification, design, implementation and monitoring of projects. Perhaps, given the relative success achieved in more recent social interventions by the EU donors, a greater allocation of their resources to well-designed social sector projects would strengthen the poverty reduction of their aid programmes.

The problem with achieving poverty reduction through interventions in the 'productive' sectors is that control over assets and resources is highly biased away from the poor. Possession of assets or control over them is the basis for systems of social and political inclusion and exclusion. Poverty is the economic consequence of this. Aid to these sectors with a focus upon specific resources is inherently problematical if poverty reduction is an objective of that aid. All too often it is those who are already productively active who benefit most from the aid and these do not often include the poorest. Since the degree of benefit is proportional to the share of resources one already possesses

greater polarisation if not impoverishment of the poor can be a consequence. Land ownership in agriculture is a good example. Irrigation and agricultural services, which effectively go to land and thereby to people, will benefit the larger cultivators more than the landless sharecroppers. While greater productivity in agriculture is a sine qua non for both successful development and poverty reduction, the latter can only be achieved if instruments are used to ensure the poor receive a reasonable share of the benefits. Given that the power basis influencing the distribution of benefits is rooted in local factors of political leadership, land ownership etc., the involvement of external actors and the state can be central.

Productive sector support therefore needs to embrace both the existing distribution of resources as well as any increase in resource stocks. Issues such as the nature of land and tenancy rights, the terms of agricultural employment, the state of literacy and knowledge in a society, need to be taken up in order to secure poverty reduction. Again, this is a call to cover a wider range of poverty dimensions when formulating aid interventions, and in the linking of measures and instruments to pursue poverty reduction in these sectors.

8.7 Approaches to poverty reduction

Donors express a clear sensitivity to the problems of specific disadvantaged groups in their policy rhetoric. In practice, there appear to be significant problems in implementing their expressed commitment.

In India as elsewhere it has long been recognised that certain general categories of the population find themselves in a particularly disadvantaged position in comparison to that of the general population. Certain caste and tribal groups have been identified as being the target of consistent and systematic discrimination since the Colonial period. Not least they experienced very low incomes, patterns of minimal consumption and possessed no influence. Defining them as scheduled castes and tribes was the basis for positive discrimination policies aimed at countering some of the economic consequences of their low social status. Fifty years after Independence, while there have been some absolute improvement in the position of the scheduled castes and tribes, they remain seriously and systematically disadvantaged. Successive Indian governments have largely failed to approach the problem of caste and ethnic discrimination in any new and innovative way. For their part, the EU donors appear to accept the status quo. Programmes continue to be designed and supported with the standard systems for implementing identification and targeting of beneficiaries. Innovation at best lies in the pressure for greater participation by beneficiaries in implementation and monitoring and evaluation.

In the post-Independence period another group, women, has been recognised as facing similar problems. While not all women are poor, the clear tendency is for women to be poorer and more oppressed than the men within the same social groups. Women are often amongst the poorest of the poor. However, women have a crucial role in production (agriculture, animal husbandry, crafts, minor forest products) as well as in reproduction (childcare, cooking, procuring water and firewood). So there are strong arguments for targeting women in donor-supported interventions. Many of the projects assessed in this study do stress the need to have such a gender focus within the project. In the social sector projects in particular, women tend to be amongst the main beneficiaries. However, in the productive sector projects the benefits accruing have mainly gone to men. This would appear to be a tacit acceptance of the fact that it is men that control productive assets and to run counter to relatively strong gender profiles presented by most of the donors studied. At the same time the donors in their engagement with the government system have been quite successful in promoting greater gender sensitivity in the field of development programmes and projects.

Clearly, as in the case of groups discriminated on the basis of caste and ethnicity, more needs to be undertaken with respect to gender on the part of donors, both EU and others. While it might well be the case that the elevation of gender as an issue in development policy is partly a consequence of donor pressure and initiatives over the years, the lack of innovation in approach and the regular failure to translate rhetoric into practice remain.

Participatory approaches, as mentioned, are recent and significant phenomena within the field of development practice in India. Whereas a decade ago most of the donor-supported interventions were implemented in accordance with the somewhat bureaucratic traditions entrenched in the line ministries of the Indian government system, today all of the EU donors studied are moving away from this top-down approach. For their part, the different government institutions involved in development programmes and projects are gradually accepting the need for this quite fundamental change in practice. It is taking time however, and some institutional partners are moving more on this issue than others.

In practice, the implementation of participatory approaches by the donors is not all that it is presented to be. There is considerable variation between the donors and between the different sectors and projects within individual donors' portfolios. In most instances participatory approaches are confined to the implementation stage of the project, typically through the formation of beneficiary committees as the principal way to secure some form of involvement on their part. There is little participation in project identification or design, nor is there very much in monitoring and evaluation. It must be recognised consequently that the influence of the beneficiaries on the different aspects and phases of a particular development intervention is often quite minimal. Within this somewhat depressing picture is the interesting finding from the cases researched for this study, that projects in the productive sectors show a more positive assessment with respect to the participation of the poor than those in the social sectors.

Delays and difficulties on the part of the donors in introducing innovative practices cannot be blamed upon partnership problems with government institutions alone. Problems are also to be found rooted in the organisation and management systems of the donors, in failures to communicate policies to field level, or simply in failures to implement policies along the lines called for in policy documents.

As for the importance of participatory approaches themselves, they are no panacea for development problems. While they can capture the immediate needs and interests of the beneficiaries, these might reflect short-term interests that can undermine development improvements in the longer term. In addition concerns of environmental sustainability or the interests of marginalised groups not targeted might not be represented. Participatory approaches tend to both ignore the interests of those not targeted and to assume a considerable degree of homogeneity amongst those who are targeted. It has to be recognised that this does not reflect the reality of socio-economic life at the local level in India; that all too often the voice of the 'community' or group is not that of the poorest. It tends to be male, higher caste and stronger than the average in terms of resources, assets, knowledge etc. Generally participatory approaches need to be both refined and applied with greater sensitivity and understanding. They also need to be linked with other methodological approaches if the poor are to be better served by development interventions.

The regeneration and promotion of Panchayati Raj Institutions (PRIs) has been at the forefront of recent government policies for greater participation in the processes of governance and development. For their part, donors have indicated through their choice of institutional instruments in more recent interventions that they envisage a significant role for PRIs in development. It would

certainly appear to be the case that there are advantages in giving elected PRIs a role in project implementation, design and monitoring. There is a strong argument that support to PRIs can strengthen local democracy through increasing the capacity of local government and by promoting greater participation in processes of planning, programme implementation, budget allocation etc. The strengthening of local democracy can enhance the work of the state at national level, it can also bring the needs and interests of the locality into the considerations of policy and development generally at the national level. There is also a strong case for arguing that greater local democracy combined with devolution of responsibilities and resources to decentralised government can promote poverty reduction through introducing the interests of the poor into policy, programme interventions, and the general distribution of resources and services.

At the same time, there are equally obvious risks involved in supporting decentralisation and the increased reliance upon the PRIs. Local elected government institutions can easily reflect the inequalities of the local society to the benefit of local elites. The consequence can be the further political exclusion of the poor and their increased marginalisation in service delivery, resource distribution etc. Successful decentralisation from a pro-poor perspective requires not only the enhancement of local institutional capacity, but also a strengthening of the PRIs' relationship to the state in order to secure the necessary accountability, transparency and effectiveness.

The majority of the EU donors studied have in the past preferred as a matter of principle that bilateral aid should go through the government system and that it should not be channelled to Indian NGOs. There are four main reasons for this. First, working through government in itself can contribute to a strengthening and improvement in the capacity of government institutions. Second, working through government also gives better opportunities for replication and scaling up successful interventions and approaches. Third, there is a reluctance to begin generating parallel organisational and management structures as the problems these can give rise to often outweigh the advantages of bypassing government bureaucracies. Fourth, it is administratively demanding to work through local NGOs because of their size, the limited nature of their involvement, and the need to generate and sustain monitoring systems and accountability mechanisms acceptable to both donor and recipient

The EU donors' attitude towards Indian NGOs like that of the Indian government, is changing. Increasingly Indian NGOs are being brought into projects in which the principal partner is a government institution. In specific tasks such as institution building at the local level, training activities and social mobilisation, NGOs are often seen to possess a comparative advantage over government institutions. For their part, Indian NGOs have become adept in developing and applying participatory approaches and for many of them, poverty reduction is a central objective for their activities. As with the PRIs, experience with Indian NGOs varies by donor, by state, and by sector. On the whole, the contribution of NGOs has been to involve the poor in the development intervention and thereby to strengthen the poverty focus in those areas and sectors in which the EU donors have used them.

8.8 The overall picture: impact and sustainability of European funded interventions

The overall assessment summarised in Table 8.1 reveals considerable variation between sectors and donors on the one hand but at the same time, a degree of success overall that is far from depressing. The table shows that, of 24 projects for which there was sufficient information to make an assessment, 8 were found to have had a substantially positive impact on poverty reduction while 13

were assessed as having had a moderately positive impact while 3 had a negligible impact. Most of the remaining 9 projects examined are too recent in origin to have produced a measurable impact.

Projects with a direct poverty orientation are achieving their overall objectives quite successfully and those with an indirect poverty orientation are having a positive impact in more than 70% of cases.

It is also evident from the study (although not shown in Table 8.1) that projects conceived and planned in the 1990s are having a greater impact upon poverty than the older projects assessed. While the more recent projects are usually at a far earlier stage of the project cycle, it would nevertheless suggest that the changes that have occurred in donors' policies and practices during the past decade or so are having consequences. In particular the increased emphasis on poverty reduction, the adoption of new methods of implementation, the greater gender sensitivity, and the utilisation of a broader range of institutions and organisations in the different phases of projects.

The sustainability of the improvements in the 1990s and of the process of change underway cannot be assessed with any certainty as yet. A number of factors do appear to be present that bode well for the future however. One is the ongoing review process whereby donors appear to be actively examining their development management, organisational structures and development approach. Also there are indications that similar processes of introspective analysis are underway within the Indian government at central and state levels; and last but not least, the evidence that European donors' aid programmes are having an impact on poverty reduction presented in this study.

Table 8.1 Summary of overall assessments of 24 projects.

Overall Impact	Negative	Negligible	Moderately positive	Substantially positive
Poverty orientation				
Direct poverty reduction	0	0	6	6
Indirect poverty reduction	0	3	6	2
Other	0	0	1	0

8.9 Do the poor matter enough?

The question posed in the title of this working paper is whether the poor matter in European aid to India. It would appear that they do and that the donors' strategies are having an increasing impact on poverty reduction. However the more detailed discussion of EU donors' aid in the study does reveal that the overall positive picture is potentially misleading in a number of aspects. Today, there remain many problems and the changes and improvements achieved to date are far from being secure for the future. It remains the case that while the poor do matter, they do not matter enough.

To secure better poverty reduction the EU donors must continue with the changes introduced in the 1990s and pursue further improvements in management and organisation, further innovation in approaches and methodologies, and make far greater attempts at inter-donor and bilateral

cooperation and coordination. Poverty rarely goes away. One can achieve changes for the better in both absolute and relative terms, but the processes that give rise to poverty have a habit of surviving with the poor being reconstituted in new forms and with new problems. If we look at India as a whole, the percentage of those below the poverty line has been reduced from the time of Independence to today by some 50%. At the same time, the absolute number of poor has risen from some 250 million to 400 million so that today 25% of the worlds poor live in India. That demands attention. They have a right to be attended to.

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