Why reforming government agencies is key to poverty alleviation

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Poverty is still a big challenge in India reflected clearly by its 136th rank on 2013 Human Development Index. In 2010, Planning Commission of India estimated 30% of population as poor. In the same year World Bank also estimated India's poor as 33% earning less than USD 1.25 per day, and as 69% of population earning below USD 2 per day (PPP). Though the percentage of poor halved from 60% at the time of independence to 30% in 2010, the absolute number of poor in India are still highest in the World. A 2007 report by the state-run National Commission for Enterprises in the Unorganised Sector (NCEUS) found that 77% of Indians, or 836 million people, lived on less than `20 per day (USD 0.50 nominal, USD 2.0 in PPP). This is further corroborated by the recently launched Right to Food Act that targets two-third of India's population. However, it is interesting to observe that several Asian countries such as China, Thailand, Indonesia and South Korea who were close to India in terms of GDP per capita income in 1950, have surged well ahead, some like South Korea even joined the developed countries club.

Government clearly lacks commitment and appropriate actions to reduce poverty. The government's attempt to reduce poverty in India broadly falls under following three categories:

Approach 1: Implementation of schemes through government departments:

various government departments such as for agriculture, horticulture, livestock, KVIC, commodities boards, KVK etc. implement various schemes, and provide technical and financial support to economic activities of poor throughout the India. In order to overcome challenges of mismanagement and institutional incapacity in implementation of schemes, the MNREGA scheme, considered the largest employment schemes in the world, was routed through PRIs. Still, implementations woe remained the same. Recently launched rural and urban livelihoods mission schemes focuses to organise poor into groups for delivery of services and are implemented through government agencies. Government comes out with one scheme after other with some variations. However, it has also been accepted time and again that implementation of schemes is poor and therefore, the main reason for their failure. Surprisingly, no specific attempts have been made to deal with this particular issue of reforming government agencies. Despite huge investments through all such schemes their impact on poverty remains insignificant.

Approach 2: Implementation of donor funded poverty projects:

Donors such as World Bank, IFAD, UNDP, and DFID have been funding projects in various poverty zones across India in partnership with central and state governments. These are time bound projects implemented by state government through an ad hoc set up headed by a government officer on deputation and supported by contractual and government staffs, and field NGOs. These projects are basically pilot initiatives meant to demonstrate alternate approach to poverty alleviation. These projects organise poor into groups to extend financial and business support services. However, once the project ends poor has no other option but to depend again on regular government departments. The impacts of these projects are limited to specific locations and normally last till the project period.

Approach 3: Framing and implementing growth oriented policies

such as de-licensing and allowing privatisation led to investment in various sectors and big infrastructure projects that promoted entrepreneurship and generated employment. The liberalisation of our economy has seen that base of pyramid (BoP), with majority of poor population at its base being morphed into a diamond with a surge in the middle class population. This led to millions of poor families crossing over the poverty lines. However, this remained mainly an urban phenomenon and is visible in the form of new constructions all around and vehicles on the roads. Rural areas remain unaffected by this growth story. This is a private sector led growth and is consumer centric. Growth rises with increase in consumer's ability to spend on product and services. Private sector led growth has created employment opportunities in cities and towns and rural areas remain unaffected. People living in cities and towns of India have benefitted both as a consumers and job seekers whereas rural populations has benefitted mainly as consumers with limited new job opportunities in rural areas. Global meltdown and falling demands due to shrinking spending capacities affects the growth.

All three approaches put together could not bring majorities of poor out of poverty and it still appears a distant dream. Although drawing an acceptable poverty line, based on daily income, has become a contentious issue in India because of its unacceptability from a practical point of view. And if poverty line is drawn based on practical living standards the percentage of poor would increase dramatically and may show any government of the day in poor light.

Government agencies are ill equipped and not suitable to deliver market based services. They have administrative skills but lack marketing and business experience to support economic activities of poor. A significant effort should not only be focussed on the poor but on reforming and capacitating a small number of government institutions that deliver services to the poor. These agencies should be properly resourced and capacitated, and wherever needed should be outsourced to a private third party. Introduction of technology to make them effective and efficient is the need of hour. Efficient here means delivery of services and inputs to poor in a time bound manner and effective means delivering services and inputs that meet the need of the poor. This would require investment in human resource development and building infrastructures with use of IT to deliver transparent and time bound services. Time has come when government should make efforts and put resources to make these government institutions deliver results which government promises.

Now, the simple question is why has not been this tried before. The answer is also simple one. How can any government institution which is cause of the problem itself can identify the problem, find solutions and finally implement them on its own? A change can be brought by only those sitting at the helm of deciding and framing policies, and finally when they decide to do so or are compelled to do so. In case of a business entity falling profits are clear indications that something is wrong with the business, and is sufficient enough cause for the business entity to look within, diagnose the problem, find answers and work on them to become profitable again or be ready to perish. No such accountability exists for a government institution if a poor is not served well and schemes fail. Till such time this happens we may not overcome poverty in a foreseeable future.

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