



Overseas Development Institute

Safety Nets and Opportunity Ladders: Addressing Vulnerability and Enhancing Productivity in South Asia

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Institute of Development Studies
University of Sussex

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in South Asia**

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Acronyms

ADP	Annual Development Programme (Bangladesh)
ASA	Association for Social Advancement (Bangladesh)
BIRD	Bankers Institute of Rural Development (India)
BRAC	Bangladesh Rural Advancement Committee (Bangladesh)
CASA	Churches Auxiliary for Social Action (India)
DWCRA	Development of Women and Children in Rural Areas (India)
EAS	Employment Assurance Scheme (India)
EGS	Employment Guarantee Scheme (India)
FFE	Food for Education (India)
FFW	Food for Work (India)
FCI	Food Corporation of India
GDP	Gross Domestic Product
ICDS	Integrated Child Development Scheme (India)
IGVGD	Income Generation for Vulnerable Group Development (Bangladesh)
IRDP	Integrated Rural Development Programme (India)
JRY	Jawahar Rozgar Yojana (India)
MFI	Microfinance Institution
MKSS	Mazdoor Kisan Shakti Sanghatan (Association for the Empowerment of Labourers and Farmers)
NGO	Non-Governmental Organisation
NIRD	National Institute of Regional Development (India)
NMS	Nutritious Noon Meal Scheme (India)
NREP	National Rural Employment Programme (India)
PDS	Public Distribution System (India)
RLGS	Rural Landless Guarantee Scheme (India)
SC/ST	Scheduled Caste/ Scheduled Tribe (India)
SEWA	Self-employed Women's Association (India)
SFC	State Food and Civil Supplies Corporation (India)
SGSY	Swarnjayanti Gram Swarozgar Yojana (India)
SIDBI	Small Industries Development Bank of India (India)
TPDS	Targeted Public Distribution System (India)
VGD	Vulnerable Group Development (Bangladesh)
VGf	Vulnerable Group Feeding (Bangladesh)
WFP	World Food Programme

1. Introduction

The increased attention to the question of social protection evident within a number of international agencies¹ reflects concerns about the possible increase in vulnerability of populations across the world in response to a variety of factors, including globalisation, structural adjustment, economic reform, regional and international financial crises, environmental degradation as well as demographic transition and the resulting ‘greying’ of populations. However, it is clear that the problem of vulnerability varies considerably across the world, as do the social protection measures in place to deal with it. Within the Asian region alone, countries vary considerably in levels of income, rates of growth, incidence of poverty, degree of inequality, forms of government, nature of political economy and extent of integration into global markets. For countries like China and Vietnam, which are undergoing economic transitions from plan to market, attention has focused on the emergence of newly excluded groups as state-guaranteed social welfare systems are dismantled (Cook, 2000). In the South-East Asian countries that opened up to international market forces and therefore bore the brunt of Asian economic crisis, globalisation is seen as a major cause of insecurity (Suwannarat, 2000).

By contrast, older forms of vulnerability persist in the South Asian region, although they may have been exacerbated by some of the changes mentioned above. There has been some economic liberalisation, although the process has been relatively slow, compared to Latin America and East Asia, and in India, where economic reform began relatively recently, in 1991. South Asian countries remain characterised, to a greater or lesser extent, by a dual economy. While employment in the formal sector offers higher remuneration, better working conditions and greater social protection than anywhere else in the economy, it constitutes a very small part of it. In India, for instance, only about 15% the workforce in 1987–8 was made up of regular salaried or wage employees, located mainly in urban areas. The majority of economic activities take place in an unregulated, informal sector which straddles both urban and rural areas.

Consequently, it is measures aimed at protecting the poor, rather than those which operate in formal labour markets, which are most relevant to discussions about risk and vulnerability in the region. The long history of dealing with such measures makes the experience of the Indian sub-continent invaluable in regional comparisons, providing a rich repertoire of lessons, both in terms of what to emulate as well as what to avoid. At the same time, the pervasive problem of poverty in the sub-continent means that it is beyond the fiscal capacity of any state to devise measures capable of dealing with vulnerability in all its various manifestations. Consequently, social protection measures have to be integrated into the overall development strategy of the country rather than treated as stand-alone programmes (Suwannarat, 2000; Guhan, 1994). As Jimenez (1999) suggests in his discussion on ‘modernising safety nets’, the challenge is to devise safety net measures which are investments in production rather than simply protection of consumption.

The aim of this paper is to review the literature on social protection measures in the context of India and Bangladesh, with a view to exploring some of these issues. It will bring together some of the lessons from various responses to the problem of vulnerability and explore the extent to which these responses also lend themselves to the notion of ‘investment’ in broader development goals. The structure of the paper is as follows. Chapter 2 provides a broad overview of the nature of poverty and vulnerability in the context of India and Bangladesh. Chapter 3 describes the main social protection measures in operation in the two countries. Chapter 4 draws out some key lessons from this experience and offers some concluding comments.

¹ All the major international agencies have had conferences and/or produced publications on this topic in recent years. A concern with ‘vulnerability’ formed one of the three main planks of the World Bank’s flagship World Development Report in 2001. See also Holzmann and Jorgensen, 1999.

2. Poverty, Vulnerability and Social Protection in South Asia

2.1 Trends in poverty

Poverty has been declining in both India and Bangladesh over the past decades but at differing rates and with considerable fluctuations. Poverty declined in India from 45% in 1950 to 36% in 1993–4 (World Bank, 1998a). Rural poverty declined from 47% in 1951 to 36% in 1994, while urban poverty declined from 35% to 30% over the same period. Urban–rural differences have thus converged over this period. However, it should be borne in mind that while the percentage of the population who are poor has declined over the past decades, population growth has meant that absolute numbers have continued to increase – from around 165 million in 1950 to 320 million in 1993.

The decline in poverty in India was characterised by considerable fluctuations until the mid-1970s, followed by a sharp decline between the mid-1970s and the mid-1980s, and a more gradual one until 1990. Poverty, particularly rural poverty, rose sharply in the immediate aftermath of the stabilisation measures taken in 1991, from around 37% in 1991 to 44% in 1992, primarily as a result of cutbacks in public expenditure, particularly in relation to rural development schemes, public infrastructure and transfers to state governments. This brought an end to growth in non-agricultural employment in the rural areas, which had been a feature of declining rates of poverty throughout the 1980s. Falls in rural employment rates led to a reversion back into casualised agricultural employment under ‘distress’ circumstances: Ghosh (1998) points to the increase in female casual agricultural labour as an indication of this distress. Economic recovery has been rapid since the early 1990s, but trends in poverty remain somewhat unclear because of fluctuations.

The decade that followed Bangladesh’s independence in 1971 was one of the most crisis-ridden of its history: a massive cyclone, a war for independence, followed by the turbulent aftermath of the war which culminated in a major famine in 1974. Poverty shot up sharply during this decade to around 80%, declined subsequently in the first half of the 1980s, but rose again in the second half. However, there has been a more significant and sustained decline in the 1990s, particularly in urban poverty. Rural poverty was estimated to be around 57% in the mid-1990s. Urban poverty declined more systematically throughout this period and stood at around 35% in the mid-1990s. Urban–rural differences have thus widened over this period (World Bank, 1998b; Rahman et al., 1998b).

2.2 Patterns of poverty and vulnerability

Vulnerability adds a concern with *fluctuations*, particularly downward fluctuations, to the concern with *levels* of income, consumption and well-being which feature in conventional poverty analysis. Poverty and vulnerability are closely interrelated. As Dreze and Sen (1991, p.10) point out, ‘the average experience of the poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe – and often sudden – dispossession, and the threat of such a thing happening is ever-present in the lives of many more’. Similarly, Burgess and Stern (1991, p.40) note that severe and chronic deprivation in developing countries is compounded by general uncertainty with respect to livelihood and life, which threatens an even wider section of the population than might be counted as poor: ‘short-term, often acute fluctuations in living standards are often superimposed upon longer-term, persistent deprivation associated with generally low standards of living’. Fluctuations in the incidence of poverty provide us with an aggregated measure of vulnerability since they track the movements of households into, and out of, poverty.

In describing the distribution of poverty and vulnerability in the South Asian region, certain features are evident. First of all, it has a distinct geographical dimension: it is strongly rural and particularly severe in regions of physical remoteness.² It has an agro-climatic dimension in that it is more severe in areas which are prone to floods or drought and are difficult to irrigate. In Bangladesh, for instance, there are localised pockets of extreme distress in the ecologically vulnerable low-lying belts along the major rivers (Rahman, 1995).

The geographical dimension also reflects the politics of state action, the extent to which such action has transformed the highly unequal pre-capitalist agrarian relations, which characterise the South Asian region. Poverty has fallen fastest in those areas where agricultural growth and improvements in human development have gone hand in hand. Indian states in which the poor made up around 40% of the population in the early 1990s include Bihar, Madhya Pradesh and Orissa (for further information, see Table 5 in Ghosh, 1998). In terms of absolute numbers, Uttar Pradesh and Bihar account for around 27% of the country's population but over 32% of its poor. In Bangladesh, regions with large urban areas, such as Dhaka, Khulna and Chittagong divisions, have fared best and report lower levels of poverty than others.

Poverty and vulnerability also clearly have an *economic* dimension. The poor are those who have few productive resources of any kind at their disposal. In a largely agrarian economy, where land is a valued and scarce asset, they tend to be landless and rely largely on their own physical labour to earn a living. However, poor nutrition, proneness to frequent illness and lack of education and skills undermine the returns to their labour efforts. Their lack of assets also deprives them of an adequate buffer against crisis, leaving them vulnerable to declines in their standard of living when these occur. This was starkly illustrated in the following observation by Kantibehn, a female agricultural labourer associated with SEWA, an Indian organisation of women workers in the informal sector: 'This body is my only asset. On days I work, I earn. When I am sick, I cannot earn. My fire stays cold those days. There is no other body, no other asset to fall back on' (Rose, 1992, p.244).

The problems of poverty and vulnerability in the South Asian context are generally not associated with open unemployment. Lacking proper safety nets, almost all sections of the able-bodied poor engage in some form of livelihood activity. Instead, the problems reflect the nature of the activities that poor and vulnerable groups engage in. Those who lack assets, education and social networks are most likely to be found in the worst paid and most casualised segments of labour and commodity markets. They also engage in activities that tend to be intermittent and seasonal so that they have to engage in a multiplicity of poorly paid occupations to survive. For instance, Harriss (1992) offers the following description of the poor in India:

'The poor are marginal farmers, small tenants and sharecroppers, reverse (often female) landlords; they are assetless wage workers, whether in agriculture, pisciculture, trade, services or industry; they are artisans (cobblers) or providers of (ritual) services (sweepers, dhobis, barbers, watchmen); they are the petty self-employed, unable to seek wage work by virtue of health, caste or status; they are beggars, foragers (for food like fish, rats, roots and berries, for fuel or building materials) and scavengers. The poorest are mobile, rural-rural migrants and transients. *The poor often have no permanent occupations and many ad hoc ones.*' (Harriss, 1992, p.342, our emphasis).

Casual waged work in the agricultural sector is the most poorly paid form of employment available to the poor in both India and Bangladesh (World Bank, 1998b; NIRD, 1999). A study by the World Bank in Bangladesh (1998b) ranked households by order of the percentage gains in per capita

² For instance, 76% of the poor in India and 89% of the poor in Bangladesh live in rural areas.

consumption accruing to different occupations of household head, compared to households where the head was a landless agricultural worker (World Bank 1998b; Table 3). It showed that in rural areas at least, landless agricultural labourers were worst off, suggesting that access to off-farm employment could be a route out of poverty. In India too, a study by NIRD confirmed that casual wage work was the least well-paid occupation, particularly casual work in agriculture: 'the activities are of low intensity, very often not providing work beyond 150 days a year and the wage paid is rarely beyond subsistence' (p.57).

Poverty has a *social* dimension. The South Asian region is characterised by long-standing and deeply entrenched social inequalities, particularly those associated with caste and gender. Gender cuts across class, leading to deprivations and vulnerabilities which are not necessarily associated with household income. This is a region of 'masculine' sex ratios in the overall population, unlike much of the rest of the world, a characteristic that is indicative of higher levels of female mortality, particularly among children aged 0–5. Gender inequalities are to be found in the occupational structure as well. Female labour force participation is very much lower than male across India, but particularly in its northern plains, as well as in Bangladesh. In both countries, rural women from better-off households tend to work in home-based activities, which are less likely to be picked up by labour force statistics. Female labour force participation thus tends to be associated with the greater poverty of households in most of the region and female-headed households tend to be poorer than male.

Caste also differentiates the experience of poverty, exacerbating its effects for some groups over others. The caste system confines those from lower castes to a limited number of poorly paid, often socially stigmatised occupational niches from which there is little escape, except by migrating to other regions or to towns where their caste identity is less well known. Acute levels of deprivation combined with greater likelihood of exclusion from social welfare services and poverty-reduction measures mean that members of scheduled caste groups, particularly children, are more likely than the rest of the population to die prematurely.

Age is also emerging as a marker of vulnerability, partly as a result of changing patterns of family organisation. As social norms change and families move away in increasing numbers from joint or extended family systems to nuclear families, the care of the aged and infirm has begun to be viewed increasingly as a burden among poorer households whose need for gainfully employed labour is paramount. As the India Human Development Report notes (p.214), 'aged persons who own assets are more likely to be well looked after'. The very young tend also to be vulnerable: it is their welfare which is often sacrificed in times of scarcity in order to protect the welfare of earning members.

Finally, a concern with vulnerability draws attention to a particular group of households which are not normally covered in poverty studies. These are the 'vulnerable non-poor' or 'tomorrow's poor', as Rahman describes them. These are households which may be above the poverty line, but whose livelihoods are so precarious that any downward mobility in the event of a crisis will lead them to be reclassified as poor.³ However, while downward fluctuations in income flows may take not-so-poor people below the poverty line, the effects of such fluctuations on the lives of those below the poverty line are likely to be devastating since it threatens their very capacity to survive: 'hunger humbles the proud but it makes the already poor destitute' (Vasavi, 1999a, p.70).

³ They have been estimated to make up 21% of rural households in the Bangladesh context.

2.3 The changing nature of vulnerability: The erosion of informal safety nets

One reason why there is a history of public efforts to provide social protection in the region is that there has been a gradual erosion of the traditional, community-based mechanisms which had provided poorer households with some form of safety net in the past. Ethnographic studies from the Indian context suggest that traditional social security systems were embedded in a variety of family, religious, caste, village and production relations: the caste-based *jajmani* system under which the landlord and village community extended a measure of food security to labourers, craftsmen and others providing services; the availability of common property resources and customary rights to the poor; institutionalised feeding in temples, *maths* and *langurs* (Guhan, 1992). However, there is growing evidence that these older forms of security have been weakened by a number of changes.

According to Vasavi (1999a), with the rise in population growth and the emergence of a labour surplus economy, the easier availability of labour gradually negated the need on the part of landlords to offer crisis insurance in order to retain the loyalty of labour. Breman (1993, p.21) linked the disintegration of the *jajmani* system with the opening up of village economies: 'relationships lost their local flavour in the process of enlargement of scale. Commercialisation of agriculture and continuously increasing government intervention diminished the importance of local autarky and autonomy'. However, such changes were not necessarily negative if they were accompanied by the opening up of new opportunities for the poor. Breman notes that in the more accessible regions of India, members of the artisan and serving castes migrated to the urban centres from where they continued to serve the surrounding countryside. This migration contributed to the rise of an ever-increasing number of different contacts that went beyond the village. He saw this migration as a form of escape by members of lower castes from the obligation to provide employment to upper caste landlords: 'Away from the village and from agriculture they earn a few extra rupees, mostly countered by greater effort besides the longer journey and work times. Their motivation for migrating is the anonymity which accompanies them in the outside world... they are certainly treated as commodities, but at least they are not immediately identified and stigmatised' (1996, p.238).

Gough (1981) also notes how ease of access to the market economy significantly affected the occupational and social structure of a village and hence the kinds of social relationships which prevailed between privileged and poor. In her analysis of societal change in Thanjavur, Tamil Nadu, she points out that the coastal regions, which had been more 'disturbed' by external change than their inland counterparts, had also broken more easily with traditional caste-based occupational structures. Where an area's comparative advantage remained in agriculture, however, the traditional social order, and its hierarchical ranking of people and occupations along caste lines, showed less evidence of change. A similar point is made by Epstein (1973), in her study of rural Karnataka. The introduction of irrigation in Wangala enabled farmers to grow cash crops, but because the village's economy remained almost wholly agricultural, the new cash economy coexisted with the traditional system of hereditary relationships between Wangala farmers and their 'functionaries'. The system was, in fact, reinforced by the introduction of labour-intensive cash crops. In neighbouring, unirrigated Dalena, however, economic diversification led to increased factionalism. Agriculture no longer bound the villagers together, and greater integration into the rural economy led Dalena commuters into the wider world, where differentiation along caste lines and other social institutions were diluted.

Where the changes leading to the erosion of informal safety nets had not been accompanied by the opening up of the local economy, households often found themselves deprived of older forms of protection at the same time as they were exposed to new forms of risk. This is highlighted in Vasavi's analysis of a spate of suicides by farmers in a number of southern states of India in 1998. Such suicides tended to occur in semi-arid, drought-prone areas where in the past, farmers had

cultivated resilient, rain-dependent food crops (local sorghum) and fertilised their land with green manure crops. This had changed with the spread of high-yielding variety grains and cash crops as a result of the advent of the Green Revolution in the 1970s. Farmers began to rely increasingly on externally purchased seeds, fertiliser and pesticide and hence on credit to finance their purchases. However, only the larger landowners were able to avail themselves of institutional credit facilities, leaving the rest dependent on usurious moneylenders. The failure of crops as a result of first, deficit, and then unseasonal rains in 1997–8, found many farmers saddled with crippling debts they were unable to repay. Thus, while there was a generalised increase in insecurity in agriculture as a result of its gradual commercialisation and the substitution of high-productivity, high-risk crops for low-risk, low-productivity crops, it was the small farmers who proved most vulnerable. They had neither state support to assist them nor capital and insurance markets to underwrite risks which might previously have been shared across caste and kin-based support networks.

In Bangladesh too, there is evidence that older forms of protection are on the wane. Adnan's detailed review of village studies in Bangladesh and West Bengal between 1942–88 points to the weakening of traditional patrilineage and kin-based networks and their decline in importance as sources of security and assistance in times of distress (1990). He suggests that deteriorating economic conditions over several decades, which resulted in acute forms of poverty, resulted in an extreme breakdown in social organisational forms during the crisis-ridden years of the 1970s. This was manifested in times of severe crisis, such as the famine of 1974–5, in the disintegration of the family unit itself (p.165). While informal safety nets have not entirely disappeared – there was evidence in the APT study of resort to informal sources of support in times of crisis, including non-usurious loans, patronage ties and neighbourhood networks (Rahman, 1995) – Adnan suggests that they have shifted from kin-based ties to employer patronage and have shrunk considerably in scope.

2.4 Coping with vulnerability: Household responses

Vulnerability adds a concern with *fluctuations*, particularly downward fluctuations in flows of income, consumption and well-being, to the concern with *levels* of income, consumption and well-being which feature in conventional poverty analysis. Poverty and vulnerability are closely interrelated. As Dreze and Sen (1991, p.10) point out, 'the average experience of the poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe – and often sudden – dispossession, and the threat of such a thing happening is ever-present in the lives of many more'. Similarly, Burgess and Stern (1991, p.40) note that severe and chronic deprivation in developing countries is compounded by general uncertainty with respect to livelihood and life, which threatens an even wider section of the population: 'short-term, often acute fluctuations in living standards are often superimposed upon longer-term, persistent deprivation associated with generally low standards of living'. Fluctuations in the incidence of poverty thus provide us with an aggregated indicator of vulnerability since they track the movement of households into, and out of, poverty.

Vulnerability takes different forms because it reflects different causes. Like poverty, it can be structural in nature or it can be transitory, the product of temporal phenomena. It can be the product of idiosyncratic risks, which are unique to a household or individual, or it can reflect co-variate risks, which affect entire groups, communities or regions simultaneously. It can reflect anticipated risk stemming from routinely occurring or predictable phenomena or it can result from unanticipated forms of risk. It can stem from a one-off event which households are able to cope with, or recover from, with relative ease, or it can reflect prolonged, repeated or inter-related shocks which undermine the effectiveness of household coping strategies and lead to adaptive forms of behaviour at declining levels of well-being and productivity.

Seasonal deficits are the most common example of ‘anticipated risk’ in the South Asian context, relating to the price of food, the availability of food stocks or slackness in the labour market. As might be expected, the implications of such deficits are usually at their most severe for landless households, particularly those reliant on agricultural waged labour for a living. There is also literature on common sources of unanticipated risk. A study by Rahman (1995) suggests that in Bangladesh, the most common include natural disasters, illness-related expenditures and a third category made up of various kinds of ‘insecurity’, including physical insecurity, the threat of extortion, violence against women, bribery and corruption, the dominance of landlords and village élites, immorality (a charge usually levelled against women), wage discrimination and village politics which frequently revolved against forcible and manipulative threats against persons and property. In the Indian literature too, risks include various kinds of natural and other calamities, the death of the breadwinner, the need to meet customary obligations (weddings, funerals), political instability and communal riots and both predictable and unpredictable market shocks, particularly those affecting the relation between food prices and the prices of rurally produced non-food goods and of wages.

These various risks can impinge on any household, regardless of its economic status, but their effects are likely to differ. Fluctuations in income flows may take not-so-poor people below the poverty line, but have devastating effects on the lives of the poorest: ‘hunger humbles the proud and makes the already poor destitute’ (Vasavi, 1999a; p.70). In other words, it is not exposure to risk *per se* which defines vulnerability, but the extent to which households are able to deal with it in ways that do not jeopardise their current well-being or future prosperity. Consequently, while household livelihood strategies are organised around a variety of immediate as well as long-term goals, security and the capacity to cope with crisis are likely to occupy an important place among them.

Figure 1 points to some of the goals which have been identified by the literature on poorer households: they include material goals, such as survival, security and accumulation as well as more intangible ones, including the dignity, self-respect and social standing of household members. It also suggests some of the different mechanisms through which these goals are achieved, including protection of basic consumption standards, reduction in fluctuations in income and consumption flows, strengthening the household asset base and improvements in the terms of access to resources across a range of institutional domains.

The actions that households take in relation to risk and uncertainty thus provide important insights into their capabilities and priorities. The extent to which they are able to take precautionary or *ex ante* measures against crisis can be seen as one indicator of vulnerability. This can carry costs in the form of ‘diminished lives’ (Dreze and Sen, 1991; p.11). For instance, it has been estimated that households in risk-prone areas of rural India can sacrifice as much as 25% of their average income to reduce their exposure to such shocks (Matin et al., 1999). However, the costs of crisis are likely to be higher for those households who are only able to respond to crisis *ex post* because they do not have the resources to take anticipatory action.⁴ Households are at their most vulnerable at such times, and least favourably positioned to bargain for higher wages for their labour, better prices for their assets and commodities or more favourable terms on which to borrow money. As a result, they are often forced to cope with crisis in ways that undermine their capacity to recover from it or to withstand the effects of the next one.

Along with the distinction between *ex ante* and *ex post* responses to crisis, the extent to which household responses can be considered more or less reversible is another indicator of its vulnerability. Figure 2 offers an illustrative sequence of crisis-coping responses, drawn from the

⁴ According to Rahman (1995), for instance, rural households in Bangladesh experienced losses of nearly 20% of the average annual income in 1992 as a result of crisis events: 11% as a result of the crisis itself (e.g. failure of crops) and 9% as a result of attempts to cope.

literature. Households who rely on strategies at the ‘irreversible’ end of the spectrum are likely to be the most vulnerable in a population or exposed to crisis over a longer period. Where possible, households will tend to avoid using less easily reversible strategies because these leave them less able to recover from a particular crisis and therefore more vulnerable to the next one. Thus, in Bangladesh it was found that 72% of resource-rich households drew on their savings in response to crisis, compared to only 31% of deficit households. The latter were forced to resort to distress sales of household assets and to taking out loans at exorbitant rates of interest.

However, households may face trade-offs between their search for security and the value they give to the dignity and self-respect of members. The migrant labourers described by Breman (1996) chose to forego the security attached to permanent employment with higher-caste landlords in their community for the riskier, and less easily reversed, option of wage labour in urban labour markets because it allowed them to escape the stigma of their caste. My own research in Bangladesh suggests that where female seclusion is a cultural norm and associated with social status, many households prefer to cut back on basic consumption rather than allowing female members to go out to work, again a relatively reversible strategy (Kabeer, 2001). Thus, another characteristic of vulnerability is the harshness of the trade-offs that households face in determining their livelihood strategies, the need to choose between different kinds of ‘ill-being’ rather than different kinds of well-being.

While household attempts to deal with crisis provide some insights into the vulnerability of the household *unit*, a disaggregated analysis of these strategies serves to draw attention to the existence of vulnerable *members* within the household. It is often property owned by women – jewellery and household utensils – which is sold off first in times of crisis (Agarwal, 1991; Kabeer, 1991). Similarly, it is often women and children’s consumption which is cut back first in order to protect that of males, particularly adult males (Behrman, 1988).⁵ In times of famine, it is women, children and the elderly who tend to get abandoned by productive and able-bodied males (Greenough, 1982; Alamgir, 1980; Adnan, 1990). Finally, reliance on child labour is a common means by which vulnerable households anticipate or deal with crisis (Kabeer, 2001). It tends to be higher in the less developed and risk-prone areas of the sub-continent, among households with no savings and assets and among households that rely on casual waged labour for a living. Further, there is also evidence that many children enter the labour force, often dropping out of school, in response to some crisis event: illness, the death or unemployment of the main breadwinner, crop failure, floods, etc.

2.5 Coping with vulnerability: State responses

The erosion of traditional community-based safety nets and the inadequacy of those that remain has focused attention on the state as the obvious institution to ensure alternative forms of social security provision for the poor. However, the pervasive nature of poverty and vulnerability in the region pose significant constraints on the scope of formal protection measures which can be undertaken. These constraints include:

- limited scope for private insurance against risk, given the underdeveloped nature of credit and insurance markets;
- limited scope for social insurance, given high levels of self-employment, of unstable and irregular wage employment and widespread underemployment, rather than open ‘frictional’

⁵ The rise in excess female mortality among children in the aftermath of the 1974 famine in Bangladesh (Chen et al.) suggests that such a strategy can have fatal consequences for some members.

unemployment;⁶

- limitations on available resources for formal social protection measures, given low tax-generated revenue and competing demands on the budget;
- limited scope for means-testing, given irregularity of incomes and diversity of income sources, which might allow for more targeted transfers to the needy;
- limitations in reaching rural (and to a lesser extent urban informal sector) populations which are spatially scattered, occupationally diverse and administratively difficult to reach.

As a result of these limitations, Guhan (1994, p.38) concludes that ‘neither Beveridge nor Bismarck nor Roosevelt can provide a model for social security in developing countries’. Instead, social protection in poor countries has to be viewed ‘as part of, and fully integrated with, anti-poverty policies, with such policies themselves being broadly conceived in view of the complex, multi-dimensional nature of poverty and deprivation’ (p.38). In order to develop some conceptual clarity about the notion of social security – one that is neither excessively specific, and hence limited in scope, nor so general as to encompass development itself, Guhan distinguishes between:

- promotional measures which aim to improve real incomes and capabilities;
- preventive measures which directly seek to avert deprivation in specific ways; and
- protective measures which are even more specific in their objective of guaranteeing relief from deprivation.

These may be overlapping categories in that measures can simultaneously ‘promote’ as well as ‘prevent’. However, they are intended to suggest a gradation of measures, which proceed from a wider domain of application to increasingly more specific ones (see Figure 3). Thus there is an outer circle of promotional measures, which would include macro-economic, sectoral and institutional measures which are relevant to poverty reduction. These may be oriented towards the poor, but not necessarily confined to them. Preventive measures, which make up the middle circle, are made up of direct measures for poverty alleviation, which we will be discussing later. Finally, the inner circle of protective measures comprises narrowly targeted safety net measures in the conventional sense, which aims to provide relief from poverty and deprivation to the extent that promotional and preventive approaches have failed.⁷

This conceptualisation is intended to draw attention to the need for multiple approaches to social protection in countries where poverty and vulnerability are both widespread and highly differentiated. It also corresponds to the needs of different vulnerable groups within the population: those whose livelihoods are too precarious to guarantee basic survival needs and who need straightforward assistance; those who are able to meet their basic needs but need greater security of livelihoods; and those who would benefit from an improvement in the overall structure of opportunity. Safety nets, which are designed to provide protection, serve as a measure of last resort, reserved for groups who will not be able to benefit from other measures, or for situations when other measures are insufficient or inappropriate.

⁶ Frictional unemployment refers to the temporary unemployment which results when workers are in the process of switching from one job to another.

⁷ The World Bank, for instance, suggests that improved primary education, reducing communicable diseases, improving water and sanitation and reducing household insecurity through public works programmes would do most to reduce poverty. Of these, the former three can be regarded as promotional measures, and the fourth as a prevention or protection measure, depending on its design.

2.6 Poverty reduction and safety nets in India

The Indian constitution has given enormous power to the central government, but limited it in relation to land distribution and social reform, leaving these to state governments who have been far more vulnerable to the influence of local élites. The result has been highly uneven development across the sub-continent, with some states successfully managing to bring about considerable social progress, often despite lower levels of income and economic growth, while others continue to perform extremely poorly on poverty reduction and social indicators. Given the importance of labour as the key asset of the poor, it is not surprising that the most widespread and significant measures for protection and prevention in the South Asian context relate to employment: either self-employment through the provision of subsidised credit or assets, or wage employment through public works.

Table 1, taken from Radhakrishna et. al. (1997, p.5), provides some basic statistics on the main anti-poverty programmes which provide protection and promotion in the Indian context. Estimates of social sector spending are complicated in the Indian context by its federal system, with centre and states sharing most of the expenditure. Estimated expenditures on eight categories of officially classified anti-poverty programmes have risen from over 5% in 1990–1 to 7% in 1997–8. If spending on basic needs programmes is added to this total, central government spending was closer to 9%. State spending adds an additional 25–50%.⁸ Many of these programmes have explicit quotas built into them to ensure that they address the different categories of vulnerability and vulnerable groups noted earlier: for instance, some use the poverty line to target the poor; others seek to ensure the participation of women or of female-headed households, of scheduled caste/tribe groups and (recently in the case of the IRDP), of the disabled.

The IRDP, probably the world's largest rural credit programme, was initiated in 1979. It provides a package of assistance, consisting of a subsidised bank loan, which enables households below the poverty line to acquire productive assets that would allow viable self-employment. It is believed to have reached over 50 million families to date, of whom a disproportionate percentage come from the disadvantaged groups (households below the poverty line, women from these households and scheduled caste/tribal households). According to data from the mid-1990s, women from poorer households constituted 33% of its beneficiaries while scheduled caste/tribe households made up 34% and 15%, respectively (Papola and Sharma, 1996).

Short-term wage employment on public works has been used since colonial times to provide relief to poor households in situations of drought, famine, floods and other natural calamities. However, for the past 3 decades, public works programmes have routinely been used to assist the poor. The Food for Work (FFW) programme was begun in the 1970s to make food grains available to poor landless households in lieu of work on public construction projects during the lean agricultural season. It was replaced in 1980 by the first large-scale rural wage employment programme, the National Rural Employment Programme (NREP). This combined the objective of creating gainful employment in rural areas with the creation of community assets for direct and continuing benefits to the poverty groups, and for strengthening rural community and economic infrastructure. In addition, a Rural Landless Guarantee Scheme (RLGS) was started in 1983 with the objective of expanding employment opportunities for the rural landless by guaranteeing employment to at least one member of landless households for up to 100 days a year on projects for building community assets and rural

⁸ The Ministry of Rural Development reports that central government contributions to the SGSY, IRDP and Development of Women and Children in Rural Areas (DWCRA), among others, comes to roughly 75% versus 25% from the states. The figures cited here suggest that there may be a considerable gap between the government's official rhetoric and the reality on the ground. There are, of course, considerable variations in what different states contribute to social spending, variations which are more likely to reflect political commitment or populist governments than per capita domestic product or growth rates (see Dreze and Sen, 1995; Table A.3, p.222).

infrastructure. Both programmes were merged in 1989 into the *Jawahar Rozgar Yojana* (JRY).

In addition, there is the Employment Assurance Scheme (EAS), launched in 1993 in pre-identified 'backward' blocks located in drought-prone, desert, tribal and hill areas in which the TPDS was in operation. It also provides a guarantee of 100 days of unskilled manual labour for those seeking work during the lean season. It would also create economic infrastructure and community assets. The EAS is demand-driven. District authorities apply directly to central administration for funding, and allocations are made based on the size and backwardness of blocks. The District Collector has overall responsibility for allocating funds and co-ordinating work.

Public works schemes like the JRY and EAS aim to provide gainful employment for poor households and contribute to the expansion of infrastructure and other social overhead capital in backward areas. JRY, for instance, generates 1 billion days of employment a year, which translates into 30–40% of potential beneficiaries. In 1997–8, both received roughly 0.14% of GDP each from the central budget. 75% of JRY funds were earmarked for rural infrastructure and housing, both targeted at Scheduled Caste/Scheduled Tribe (SC/ST) households, and the rest to social forestry. These programmes are intended to work in a decentralised manner, with work plans and contracts administered by village *panchayats* within a decentralised management framework. However, variations in commitment to decentralisation across Indian states, along with variations in state commitment to spending on poverty reduction and social protection, means that these intentions translate into practice very unevenly across the states (Crook and Sverrisson, forthcoming; Harriss, forthcoming).

The Public Distribution System (PDS) has its origins in the 'rationing' system introduced by the British during World War II. When India embarked on its path of planned development, it was retained as an important component of the policy of growth with justice and became a 'social safety system', making food grains available at a 'fair price'. Today, it is the country's costliest single programme and the most far-reaching, distributing rice, wheat, edible oil, kerosene and sugar at subsidised prices through a network of 400,000 fair price shops. It operates directly through the Food Corporation of India (FCI), which was set up in 1965 to counter dependence on imports, to speed up the logistics of distribution and to regulate the market by competing with it. The FCI in turn operates through millers and private traders who procure food grains from farmers.

The PDS started out as a minimally-targeted rationing scheme with a strong urban bias. However, there have been attempts, particularly since the end of the 1970s, to extend its rural coverage; the number of fair-price shops more than tripled to 400,000, and the bulk of these were located in rural areas (Patnaik, 1998). However, it has not become any more pro-poor; according to Dev and Suryanarayan (1991), all income groups benefit to approximately the same extent from the PDS. While there has been added emphasis on the safety net function of the PDS since the economic reforms because it is perceived to be the main form of protection for the poor against the short-run, price-induced adverse effects of economic reforms (World Bank, 1991; Mooij, 2000), there has also been considerable pressure to offer it on a more selective basis. A Targeted PDS (TPDS) was introduced in 1997 to link state-level allocations (and the PDS subsidy) to those living below the poverty line in each state and to provide poor households with 10 kgs of cereals each month at half the prevailing economic cost. Subsidies to households above the poverty line are being phased out.

These make up the main efforts in the Indian context and will be the focus of the discussion here. Other interventions include nutrition-based programmes for children. The Integrated Child Development Scheme (ICDS) is a nationwide programme providing a package of services aimed at the deprived and vulnerable sections of society – pre-school children aged 0–6 and expectant and nursing mothers in rural and tribal areas and urban slums, including supplementary nutrition, pre-

school education, immunisation, ante-natal and post-natal care. The Midday Meal Programmes for school children are state-level programmes which are significantly more extensive than the ICDS but are not as well targeted. Their take-up varies between states, and it is dependent in most cases on external assistance. Noteworthy examples include the Chief Minister's Nutritious Noon Meal scheme (NMS) in Tamil Nadu and also the World Bank aided Tamil Nadu Integrated Nutrition Programme, which is considered to be more efficient: it takes up only 2% of the plan outlay if extended to the entire state from its present pilot coverage, while the former takes up 15%.

Alongside the state, NGOs in India have played an important role in the field of social protection: through advocacy, delivery, mobilisation and innovation. This is not a homogeneous sector, however, and NGOs cover a range of collective interests, from commercial philanthropy to rehabilitation to empowerment (Harriss-White, 1999). They have played some role in the field of health and social security. Many have innovated with microcredit, varying their role from direct provision to intermediary to alternative banks (Kabeer and Murthy, 1996). They have also shown that savings and social insurance functions can be grafted onto credit provision, either on the basis of small groups (with low information costs but with tendencies to high co-variate risks) or on the basis of individual access to state or joint sector schemes. The cooperative movement is another form of organisation that could provide a basis for group insurance. In addition, NGOs have pioneered rights-based approaches which seek to improve the terms on which vulnerable groups, such as landless workers, sharecroppers, marginal farmers and informal sector workers, access resources from various institutions, including labour markets, financial organisations and the state.

However, while NGOs have played an important role in innovating new approaches and helping to compensate for various kinds of institutional failure, including those of the government (Kabeer and Murthy, 1999), their coverage is restricted and they do not have the national presence to make a difference to the broader policy environment. In any case, it is difficult to know how any NGO could have a national presence in a country of a billion people. Indeed, 'markets' for social welfare play a more significant role than do NGOs, and in the distribution of certain resources, than does the state (Harriss-White, 1999). In any case, the Indian state is noteworthy among the post-colonial states for its near-uninterrupted record on democracy and its presence from the outset within the economy, not only in terms of responsibility for its 'commanding heights' but also in an explicit commitment to poverty reduction since the late 1960s. This has partly limited the growth and role of NGOs as far as development interventions are concerned, although civil society organisations of various kinds (women's movements, human rights organisations, trade unions, *dalit* movements) have flourished.

Poverty reduction and safety nets in Bangladesh

The share of Bangladesh's Annual Development Programme (ADP) devoted to education, health, social welfare and family planning has more than doubled from around 11% in the late 1980s to around 23% in the late 1990s (World Bank, 1998b). Spending on education has increased most, both in absolute and relative terms. Estimates suggest that in the coming years, the share of the ADP devoted to health and education will rise to 30%, which is higher than the rest of South Asia. About 57% of public expenditure on health and 38% on education was absorbed by the bottom half of the rural poor. Aside from general social sector programmes, Bangladesh has a number of government-run safety net programmes, funded largely by external food aid. The three most significant are:

- Food for Work (FFW), which provides wheat in exchange for work in rural infrastructure projects. This is the largest of the programmes and dates back to the 1974 famine.

- Food for Education (FFE), which provides wheat and rice to poor children in return for regular primary school attendance. This was begun in 1993–4 in selected villages and is the fastest growing of the programmes.
- Vulnerable Group Development (VGD), which provides food grain and training to disadvantaged women.

Although their benefits are difficult to compare, all three appear to be cost-effective, with FFW and VGD somewhat better targeted (see Table 4). There are smaller government projects such as:

- Test Relief, which supports activities like cleaning ponds and bushes and making minor repairs to rural roads, schools, mosques and *madrasahs* during the rainy season;
- Rural Maintenance Programme, which employs destitute women in labour intensive rural road maintenance work.

Compared to the state, NGOs play a much more significant role in the field of poverty reduction and social protection in Bangladesh than they do in India. This partly reflects its very different historical experience as well as the nature of the state. NGOs really emerged in Bangladesh in the aftermath of its independence from Pakistani domination in 1971. They were founded by those who were active in the resistance to Pakistan and represented an idealist commitment to building a new nation based on the interests of the poor and oppressed. They flourished in subsequent decades, partly in response to the failure of a state riven by internecine struggles and weakened by a series of political assassinations and military coups. They continued to flourish in the 1980s and 1990s, supported by the anti-state ideologies of the donor community. It could be argued that by taking on many of the developmental responsibilities of the state, rather than seeking to hold the state accountable, the expansion of the NGO movement in Bangladesh has stymied state ownership of the poverty agenda. Nevertheless, it should be acknowledged that it is a vibrant community, despite its own forms of internal conflicts, and that the NGOs have built up an international reputation based on their size, effectiveness and clout in policy matters. Some NGOs in Bangladesh have reached a size that puts their poverty reduction programmes on a par with those of the government. For example, the World Bank (1998b) estimates the coverage of non-governmental microcredit interventions as follows:

- Grameen Bank 2.06 million microcredit clients
- BRAC 1.84 million
- Proshika 1.30 million
- ASA 0.57 million

Together, these organisations disburse more than the public sector financial institutions. In 1996, BRAC's schools covered 1.1 million students, while the government's Food for Education covered 2 million children. Along with the larger and better-known NGOs, a further 20,000 are registered with the Department of Social Welfare, although it is not known how many of these are active.

In the past, a relationship of mutual suspicion existed between the government and NGOs in Bangladesh. The government expressed concern about NGO cost-effectiveness, accountability and heavy reliance on foreign funds, while NGOs have accused the government of rigidity, failure to distinguish between different NGOs and very imperfect accountability. However, recent years have seen a rise in the practice of partnerships between the two, with NGOs often acting as the government's executing agencies in the field.

3. Lessons from the South Asian Experience with Social Protection

A review of the literature on social protection measures in South Asia highlights a number of cross-cutting concerns. There are a large number of studies dealing with issues of access and exclusion and the extent to which these serve to reproduce, or counter, pre-existing patterns of inequality. There are concerns with the costs and cost-effectiveness of different measures. There is a growing focus on governance issues and the extent to which the failure of various measures to achieve their goals reflects problems in the politics of delivery rather than the technicalities of design. And finally, there are concerns with the terms of access – in other words, the extent to which protection measures respect the need for dignity and self-reliance by those they seek to benefit and serve to support, rather than displace, their efforts to secure their livelihoods. This section attempts to bring some of this literature together and draw out their main lessons for the design and delivery of social protection.

3.1 Targeting and trade-offs: Universal versus selective provision

The ‘politics of targeting’ are likely to be an issue whenever a measure provides a subsidy to one group but is financed by another, but they are most forcefully in evidence in the case of safety net measures, which tend to be straight transfers of one sort or another. At the heart of the politics of targeting are the trade-offs associated with different methods of targeting: while targeting transfers to the poor is likely to have the largest poverty impact, the associated efficiency in the use of public expenditure has to be offset by the costs of such targeting. The more finely-tuned the targeting criteria, the higher the administrative costs are likely to be, and the more invasive the information required and the greater the power exercised by administrators: as Sen (1995, p.14) points out, ‘minor potentates can enjoy great authority over the supplicant applicants’.

In addition, because no targeting mechanism is perfect, there is a trade-off between two kinds of errors: E-errors, which entail the inclusion of non-eligible participants and F-errors, which entail exclusion of the eligible. Which error is considered least desirable will depend on whether priority is given to poverty reduction goals and hence to the ‘inclusion’ of the eligible, or whether priority is given to efficiency in use of resources and hence to the exclusion of the non-eligible. Recent debates about the future of the Public Distribution System in India draw attention to the fact that the decision about which set of errors is more acceptable is political rather than technocratic.

Estimation of the marginal odds of participation by different quintile groups in India’s three main poverty alleviation programme interventions (the public food distribution system, the public works programmes and the IRDP) by Lanjouw and Ravallion (1998, cited in World Bank, 1998a; see also Subbarao et al., 1997), found that:

- self-targeting public works programmes performed best in reaching India’s poorest quintiles;
- the IRDP was more effective within the three middle quintiles (including those living at the poverty line – roughly the 40th percentile), but not the extreme poor; and that
- the food subsidy transferred by the PDS flowed disproportionately to those least in need.

The failure of the PDS to reach poorer sections of the population reflected a number of factors. It reflected the fact that the allocation of food grains by the centre to different states did not necessarily reflect the incidence of poverty within them. It also reflected the political economy within the states,

including the extent to which there was surplus food grain production in a state, the existence of a populist government/active civil society groups, which favours better distribution to the poor and efforts by the state to supplement the allocation by the centre (Mooij, 2000). As a result, while aggregate results suggest that the PDS has benefited better-off sections of the population disproportionately, its actual ability to reach the poor has varied by state. There is a lively debate as to why this might be the case but the character of the governments in power are clearly a factor. Patnaik (1998), for instance, suggests that the extension of the PDS to rural areas on a significant scale from the end of the 1970s onwards was linked to the assumption of power in a number of states by non-Congress popular governments, which appeared to be more responsive to mass demands. It was left-dominated governments in West Bengal, Tripura and Kerala, for instance, that met a third or so of the needs of its population for grain from the PDS, while poorer states like Bihar and Orissa met a very small fraction of its needs. Good PDS functioning extended to other states in the 1980s, mainly in the South (Patnaik, 1998). The NTR government in Andhra Pradesh, the non-Congress governments in Tamil Nadu and the Janata government in Karnataka extended PDS coverage and this is believed to have led to a decline of poverty of 5.1% and 6.3% in these states. Many of these states also attempted to revive democratic decentralisation, such as the system of self-government in a new form through regular elections for the village *panchayats*. The programme continues to be least effective in the poorer states of Uttar Pradesh, Orissa and Bihar, where the decline in poverty attributed to the PDS was around 0.4%. Mooij's (2000) case study of the PDS in Bihar provides more detailed insights into the kind of failures which occur at delivery level and contribute to the poor performance of the PDS in certain states (Box 1).

Box 1 The PDS in Bihar: A case study of a poorly performing safety net

Although, as a state, Bihar has benefited from the introduction of the TPDS, given the percentages of its population below the poverty line, around 85% of the commodities distributed were diverted into the black market. The explanation for this includes the following factors:

- Many poor people did not have the ration cards which would entitle them to 'fair price' food grains. Others, who had cards, did not receive their entitlements. PDS commodities generally arrived late, irregularly and without advance warning in the shops and only those who had ready cash when supplies arrived were in a position to benefit.
- While *gram panchayats* and *gram sabhas* were supposed to be involved with the bureaucracy in identifying families below the poverty line, there have been no elections in Bihar since 1978. Instead, cards are sent down the local bureaucracy to lower ranking officers, often finding their way to the PDS dealers, who are responsible for the retail distribution of food grains at subsidised prices to ration card holders. Many of these cards are kept back by the dealers to claim the commodities for themselves. In addition, 'fair price' shop dealers issued bogus cards to claim subsidised food which was then sold on the open market. As long as they pay monthly bribes to officials of the food departments, they are permitted to continue and indeed, their activities are covered up by local officials if government inspectors.
- Corruption at all levels of the bureaucracy within the Food and Civil Supply Departments reflected the fact that there had been very little investment in the Bihar State Food and Civil Supplies Corporation (SFC), which was the wholesale agent for PDS foodgrains. PDS dealers often had to advance money to purchase the grains from the FCI. Poor and irregular salaries for warehouse managers increased the incentives for corruption, the illegal sales of commodities and misappropriation of money.
- Unlike politicians in better functioning states in south India who perceive political mileage to be extracted from making the PDS function well and benefiting consumers/cardholders, politicians in Bihar are able to better benefit from the diversions and leakages. They can offer lucrative posts as PDS shop dealers to political followers and fellow caste members and extort money from the dealers.

Source: Mooij (2000)

One obvious conclusion to draw from these findings is that PDS needs to be more selectively targeted so as to ensure benefits flow disproportionately to the poorer sections of the population. As we noted, this is the conclusion favoured by the World Bank and adopted by the Indian government in 1997 as part of economic reform (World Bank, 1991; Suryanarayana, 1995).⁹ This has taken the form of: a) changing the norms governing allocation to states so that those with a higher incidence of poverty would receive a disproportionately higher allocation of foodgrains; b) targeting the programmes more narrowly so that only households below the poverty line would be eligible; and c) giving states and local level bodies a greater role in monitoring and supervising the operations.

However, it is not a reform that commands universal support (Nojonen, 1998; Ghosh, 1998). Ghosh, for instance, points out that the PDS was more than a simple welfare measure; it had played a critical role in making the minimum dietary needs of the poor affordable. She suggests that even if the PDS only accounted for 8–20% of the food purchases of the poor, this had still represented a perceptible impact on their cereal consumption. She notes that efforts to extend rural coverage since the 1980s have helped to overcome the early urban bias of the programme and that rather than seeking to restrict the PDS, efforts should be made to make it more genuinely universal through further improvements in its coverage. Selective targeting was not a costless option and she points to the notoriously high administrative costs associated with it as well as the power and possibilities for corruption it puts in hands of those given responsibility for identifying the poor: ‘It is well-known that in hierarchical societies where social and economic power is unequally distributed, most targeted schemes fail to reach the intended beneficiaries unless the schemes are self-targeting’. The fact that some states in India report greater success in reaching the poor through the PDS supports Ghosh’s argument; as Patnaik points out, these tend to be populist governments who demonstrate the political will to ensure this greater distributional equity.

Patnaik (1998) dismisses the ‘progressive-sounding arguments’ that subsidies should be concentrated with the poor and used to justify the targeted version of the PDS, suggesting that it was used to bring about more than just a change of beneficiaries. She points to the absurd principle of calculating new grain requirements on the basis of the average take-off of grains from fair-price shops over the past 10 years - absurd because take-off had been reduced over the past 10 years by excessively raising grain prices, thus pricing the poor out of the fair-price shops and leading to abnormally low rates of take-off. Under the new scheme, grain allocation in 1997 to the poorest state of India, Orissa, was reduced in the case of rice from over 100,000 tonnes to a third of that level; in the case of wheat it was reduced from 50,000 tonnes to zero (p.37). Warnings of famine from the state minister led to a re-examination of this principle of calculation, but Patnaik suggests that the targeted PDS remains the thin end of an ideological wedge, spearheaded by the Bretton Woods institutions, to completely lever out the state’s role in the food economy.

Harriss-White (1999) offers a more ambivalent assessment of the PDS, acknowledging its obvious weaknesses but also noting its strengths: ‘The PDS ... has a broad coverage but limited impact, supplying at most 20% of calories. Where it is implemented it undoubtedly increases overall consumption; and it may have been a contributory factor to increased life expectation and the reduction in mortality rates. But this is achieved at the expense of equally poor households in regions not covered by the PDS’ (p.310). She notes a recent study from rural Tamil Nadu, which confirmed that the poorest deciles of the income distribution had defective access to PDS. Such evidence, along with evidence showing pervasive corruption and leakage, clearly supported arguments for the removal or extreme streamlining of the PDS. At the same time, she reminds us that the impact of the PDS has been socially redistributive. Thus, while 35% of the average rice calories in the study she

⁹ It should be noted that food rationing under the Bangladesh Public Distribution was also found to disproportionately benefit the relatively better off (Abdullah and Murshid, 1986). Food rationing was abolished by the late 1980s as a part of the structural adjustment process in the country and food distribution increasingly shifted to Food for Work and other safety net programmes.

cited came from the PDS, it contributed 40% to the diets of poor peasant households and as much as 72% to those of landless labourers.

Differing positions around the future of the PDS thus appear to reflect differing values as much as differing assessments of its impact. Those who are ideologically predisposed in favour of market forces and against state intervention tend to favour lower budgets and taxes, and hence a more selective PDS (Gelbach and Pritchett, 1997). They view the support for a more universalist PDS as expressing a 'distributivist' ideology: 'An implicit objective of those who argue against targeting and in favour of universal welfare states is distributivist. This is not surprising as they are by and large socialists who subscribe to the common end of egalitarianism' (Lal, 1994). However, while support for universalism in the PDS does indeed tend to be associated with egalitarian values, we have noted some of the more pragmatic reasons put forward against targeting, including its higher administrative costs as well as the possibility for a different kind of corruption than that associated with the present system. Indeed, it has been suggested by economists not usually associated with redistributivist ideals that 'leakier may be better,' if leakage from the PDS provides those most able to contribute financially to a programme with some take in its continuation; the budgetary support that a programme is able to command within the population is responsive to who benefits from it (Gelbach and Pritchett, 1997).

3.2 The 'depth' of outreach: Microfinance and the extreme poor

The rationale for ensuring access by poor people to financial services rests on well-established grounds, including the need to smooth out fluctuations in their income and consumption levels, often linked to the agricultural cycle; to provide them with the means to purchase inputs, acquire asset or take advantage of other opportunities to increase the returns to their labour; and to take precautions against, or cope with, crises. The commercial orientation of the Indian banking sector, even after nationalisation in the late 1960s and the inclusion of poverty-oriented lending as part of its mandate, led to its continued failure to reach the poor. As Kabeer and Murthy (1996, 1999) point out, the social distance between higher-caste, mainly male bankers and the poor, lower caste would-be borrowers also militated against this goal; it was further exacerbated in relation to women borrowers as a result of the male-breadwinner model subscribed to by the upper castes and class.

Governments have sought to provide subsidised credit to the poor through programmes like the IRDP in India in order to compensate for their exclusion from formal financial institutions. The Development of Women and Children in Rural Areas (DWCRA) programme was set up in response to the failure of the IRDP to reach out to poor women, despite explicit targets requiring them to.

The contribution of these programmes was to push a huge amount of money into remote rural regions in the belief that – if poor people were assisted with asset purchase – this would secure them for life. They did have an enormous outreach; many of the poorest respondents have clocked up several IRDP loans over the years. However, these programmes have been subject to some trenchant critiques. These are discussed in detail in Kabeer and Murthy (1996, 1999) and will be touched on very briefly here. Dreze (1990, p.A–98) suggests that the reliance of these programmes on the top-down identification of an internally heterogeneous category of poor people by officials serving in a massive, bureaucratised and target-driven structure meant that errors of identification could occur with very little violation of the official rules: 'since the criterion of eligibility is "income", and since incomes in rural India are extremely hard to observe, the door is wide open to abuse'. Poor loanees often ended up spending the equivalent of the subsidy element of the loan in 'transaction costs', including fees to government officials and time and costs of completing formalities. The practice of 'loan *melas*' where politicians waived repayment of loans in the run up to elections as a way of

winning votes contributed to a culture when loans were regarded as largesse. In Bangladesh too, the delivery of subsidised credit and inputs to farmers' cooperatives through the BRDB which was based on the Comilla-based IRDP model in pre-Independence days, was also found to disproportionately benefit better-off farmers.

The proliferation of NGO-led microfinance programmes, many of which deliberately set out to target women from poorer households, was partly in response to the perceived failure of government efforts. The Grameen Bank in Bangladesh is now internationally renowned for innovating the idea of lending to poor women organised into groups and responsible for ensuring weekly repayment of loans. Other organisations, like BRAC and Proshika in Bangladesh, have combined lending to the poor with some attention to social mobilisation while others still, like ASA, have modified the Grameen approach to offer a more diversified range of financial services. Less well-researched is the self-help model pioneered in India by organisations like PRADAN.

Most of these programmes report extremely high rates of repayment and have benefited large numbers of households below the poverty line. However, there is growing recognition that they are failing to reach the extreme poor (Wood and Sharif, 1997; Hulme and Mosley, 1996). These are households whose per capita income is less than three-fifths that of the poverty line, who tend to have less than 6 decimals of land, as compared to the maximum of 50 decimals that constitutes eligibility for lending under poverty-oriented schemes, and who generally earn their living as agricultural day labourers (Halder and Husain, 1999; A. Rahman et al. 1998a; Rahman and Hossain, 1995). They operate in the 'mini-economy' in which production, consumption, exchange, trade, savings, borrowings and income earning occurs in very small amounts (Matin et al., 1999). Consequently, the 'unit' of transaction is small, making it difficult for financial institutions attempting to deal with them to charge standardised administrative costs.

The constraints posed by the high transaction costs of dealing with the extreme poor have been exacerbated by the increasing emphasis within the donor community on the 'sustainable', as opposed to the 'subsidised', transfer of resources to the poor. This has led to an increasing stress on loan repayment by various micro-finance organisations affecting their ability to be responsive to the fluctuating income flows of the very poor.

The stress on weekly repayments generates additional pressures at the level of groups to exclude the very poor who are likely to have difficulties in meeting their repayment obligations and could hence jeopardise the group's future access to loans (Montgomery, 1996). The very poor are also less likely to have time to sit through weekly meetings. The opportunity costs of their time may be low in absolute terms, but are critical to their own survival. Furthermore, MFIs tend to deal better with sections of the poor who have regular working capital needs, whereas the very poor need some way to save regularly rather than borrow regularly.

From the perspective of the extreme poor themselves, the knowledge that they do not have guaranteed income flows to provide the weekly repayments or the time to attend meetings regularly is likely to lead to considerable risk aversion on their part and self-exclusion from credit programmes (Evans et al., 1995; Hashemi, 1997). In addition, other practices of microfinance organisations also militated against their appeal to this group. Grameen, BRAC and ASA in Bangladesh all required compulsory regular savings from their members as contributions to a *de facto* 'lump-sum' pension, which members could only claim when they left the organisation. This limited a potentially important source of consumption-smoothing, an important aspect of the demand by the poor for financial services.

Recognition of the failure of micro-credit programmes to reach the extreme poor has elicited a number of different responses. On the one hand, there are those who argue, like Khandker (1998,

p.17), that 'microcredit is not relevant for the poorest of the poor and the most illiterate of the illiterate. For them wage employment is necessary for poverty reduction'. This position echoes that taken in earlier debates in India in relation to the IRDP where, among others, Dreze (1990) and Rath (1985) argued that the very poor would be more likely to benefit from the expansion of wage employment through public works programmes than from the provision of subsidised credit. Others have opposed microcredit for the poor on ideological as well as economic grounds. Nijera Kori in Bangladesh, for instance, argues that it has merely replaced older dependency relationships between poor people and moneylenders with new forms of dependency between poor people and purportedly pro-poor non-governmental organisations (Kabeer, 2002).

On the other hand, there are still others who argue that the problem does not lie with the provision of microfinance *per se*, but with the objectives for which it is provided and the terms on which it is provided. Hulme and Mosley (1997) trace failures of outreach to the shift to the 'promotional model of poverty alleviation through micro-credit financed enterprise expansion' over the past decade or so. Such a model may benefit moderately poor households who may have the capacity for enterprise and the willingness to take risks but it excludes the poorer sections of the poor whose livelihoods are extremely insecure and who are in need of preventive and protective rather than promotional support. They argue for financial services for the poor in terms of their intrinsic value in helping poor people to meet their needs rather than their instrumental value in promoting development goals. However, this means moving beyond the 'microcredit template' promoted by Grameen Bank and institutionalised around the world to the adoption of a much wider, and more flexible, range of financial services, which include savings and insurance.

A number of NGOs in Bangladesh have sought to redesign their interventions on account of their failure to reach the extreme poor. BRAC's Income Generation for Vulnerable Group Development (IGVGD) programme seeks to combine some assurance of household food security with assistance in enterprise development over a longer-than-usual time frame. It targets the poorest among poor women: members of assetless households, women with irregular or no household income, women who work as casual wage labour, and female household heads. They are provided with monthly wheat rations for two years, during which time they are expected to form savings groups and to participate in training on income generating activities (poultry, livestock and sericulture). Credit is provided to help them set up these activities. Relief, credit and training are thus combined in this attempt to address the exclusion of the very poor. Surveys of the IGVGD have found it to be successful in targeting destitute women who are either excluded, or who self-exclude themselves, from NGO activities and in enabling them to reach a stage where they can become members of the NGO's microfinance activities.

BRAC now proposes to extend this programme to other sections of the excluded poor over the next five years. In addition to asset grants and credit, BRAC will also supply inputs and provide the necessary technical services and supervision. BRAC, government and private sources will all be used to procure inputs. Necessary marketing services will also be provided. BRAC is also proposing to extend its Employment and Enterprise Development Training Programme to the poorest sections. This will aim to provide skills, development and confidence-building and to prepare participants to initiate an enterprise of their choice.

Grameen Bank also changed its lending approach when it found that its loanees in the Rangpur area were falling behind on their repayments. Rangpur is one of the most economically depressed areas in Bangladesh. There is little economic activity, and during the lean season, food scarcity was so great that declining body weights were recorded in the period between mid-September and mid-November. Offering loans in this context was likely to exacerbate the situation, as poor loanees would use the loans either for consumption or to pay off other loans. Instead Grameen embarked on

a goat-leasing programme, providing defaulting loanees with a goat which they could raise and then pay back in the form of a kid from the first litter and another from the second litter. No cash repayments were required. Since goats were hardy animals, women had repaid their loans by the end of the first year. The programme has proved successful and brought many of the poorest sections back into its micro-credit programme.

Apart from these tailored responses, NGOs have also sought to improve their outreach to the poor by experimentation and diversification. ASA started up a flexible 'open-access' savings service for its core poor group and set aside a quota for them in its entrepreneurship development programme. Associated membership status allows them to benefit from group activities without savings and other responsibilities. Proshika gives its very poor borrowers access to risk-reducing technologies from its Employment and Income Generation Programme profiles so that borrowers feel less threatened by actual or potential income losses. Provisions which allow the very poor greater security for their savings has proven to be a major innovation in these outreach efforts. This success suggests that the priority for many poor people may lie less in the ability to access new sources of credit, which are subject to rigid rules of repayment, and more in their ability to ensure security of their savings at the same time as having flexible access when they need it. Flexible rules of savings combined with open access to them appear to have led to a greater willingness to save and to replenish savings, than an insistence on compulsory savings and closed access. Box 2 provides an example of a financial service organisation which is explicitly designed to meet the needs of the very poor, in this case in urban areas.

Box 2 SafeSave: Financial services for the extreme poor

SafeSave is a financial service provider which works in the poorer slums of Dhaka... It started in late 1996 and is still a small organisation. In 1999 it had less than 3000 clients, was holding about 2.4 million *taka* of clients' savings (about US\$50,000) and had about 3.7 million *taka* (about US\$75,000) of loans outstanding.

Despite its small size, it is attracting attention because of its unique products. Financial services for poor people are viewed by SafeSave as a matter of helping the poor turn their capacity to save into usefully large lump sums. Its products are designed to enable very poor slum dwellers to do this as conveniently and as quickly as possible and in as many ways as possible. In essence, SafeSave offers its clients a full individual banking service on their doorstep. There is no group formation. Bank workers, called Collectors, visit each client every day, six days a week. On each visit clients may save or withdraw, or repay loans in any amount they choose, including zero. They also take loans on their doorstep in values based on their proven capacity to save and repay. Given this flexibility, many clients transact very regularly, in volumes that exceed those of more conventional schemes for the poor. For example, clients tend to pay back loans much more quickly than in the Grameen Bank system... Loans are charged at an effective interest rate of about 2.25% per month.

Using cost-cutting devices such as recruiting Collectors from among the slum dwellers themselves, and full computerisation, SafeSave is already covering its operating costs from its loan interest income and with growth, promises to become fully economically sustainable.

Source: Matin et al. (1999, p.28)

The idea of 'self-help groups' as a means of reaching the very poor and socially excluded is an important innovation in the Indian context. These consist of groups made up of members, often women, of the scheduled tribes and scheduled castes, landless labourers and marginal farmers. They are initiated around self-generated savings and credit activities without any external financial assistance. Members agree how much to save and the size of loans to each other. There are number of different models dealing with finance which have adopted the principle of self-help (see detailed discussion in Kabeer and Murthy, 1996). Some are independent cooperative banks for the poor, such as SEWA Bank, a membership bank that works with self-employed women in the urban informal sector. Others act as financial intermediaries, helping to enhance the outreach of government lending

by bridging their gulf with the poor. For instance, CASA in Andhra Pradesh sought to build the capacity of poor groups to realise their entitlements to IRDP loans. Some are direct lenders, bypassing the banking sector entirely: the Rural Development Trust in Andhra Pradesh is one example as is Nari Nidhi in Bihar. Myrada (which works in Karnataka and Andhra Pradesh) shifted from its earlier role as financial intermediary to one of direct lending through its village development associations.

Others still like PRADAN, working in a number of states in India, including Rajasthan, Madhya Pradesh, Bihar and Jharkand, concentrates on mobilising women from poor and marginal groups into self-help groups to achieve a number of goals, including access to bank loans. Nijera Kori in Bangladesh also takes a self-help group approach but they too regard access to credit (from banks as well as other MFIs) as just one aspect of their strategies to empower the poor. In terms of our interest in outreach to the poorest sections of the poor, an important factor in explaining PRADAN's success has been its efforts to tailor the scale of its activities to the capabilities of the poor: thus its focus has been on 'tiny' irrigation schemes and on adapting production technology for poultry and mushroom cultivation to the smaller-scale decentralised production systems of poor people. However, PRADAN also retains a concern with improving the sustainability of poor people's livelihoods. In the long run, it seeks to develop linkages between its self-help groups and mainstream financial institutions in order to allow them to access external credit. Finally, it assists groups to invest their borrowed funds in viable income generation activities, often mobilising funds from government programmes for infrastructure for livelihood generation activities.

To conclude, one of the important contributions of the self-help group approach is that it offers access to credit in a flexible way, in terms of amount, timing, purpose and so on, as long as members of the group trust the borrower to repay. In other words, they devolve the disbursement of funds to 'client level', which the Grameen-style MFIs do not. They are also far more flexible in terms of repayment, once again because lending is based on internal relationships of trust rather than externally-generated pressure – although their repayment rates may not always be good. Finally, they tend to offer open access savings and dividends on group funds and income, all of which build confidence and provide a useful form of social security.

Before concluding this section, I would also like to draw attention to a group at the other end of the poverty spectrum who have also tended to lose out in the 'microfinance revolution' and who were referred to earlier as 'tomorrow's poor'. These are households who are excluded from most financial services for the poor, because they may own some land or because they are above the poverty line. At the same time, they are generally too asset-poor to qualify for loans from the formal banking system. Yet this group includes many extremely insecure households who would benefit considerably from access to financial services. As H.Z. Rahman et al. (1998b) suggest, financial services for this group, many of whom are engaged in small-scale – rather than micro – enterprise, require a change in attitudes and orientation if they are to succeed: less of the 'asymmetrical and paternalistic' approaches which have characterised many of the microcredit organisations and 'more robustly 'businesslike' and demand-driven services which reflect the 'more symmetrical culture of agent-client transaction' (see Kabeer, 2001 for an example of one of the few credit programmes serving this group in the Bangladesh context).

Changes in the regulatory structure of banks in the Indian context may help them to reach both these groups. The new regulations give banks considerable autonomy to reach out to the poor through MFI services. Institutions like BIRD in Lucknow are helping them to adapt their cultures, while SIDBI has made a major commitment to make banks a core client in its micro finance programme. Their outreach is likely to be much greater than non-governmental MFIs. Not only do they have the capacity to make money out of savings products, which is difficult for NGOs who are not good

investors, but also possibly to offer insurance in alliance with insurance companies, using IT solutions to decrease costs, etc. What appears to be suffering in this new banking regime is the organisational culture of the self-help groups. As government officials now take on the role of organising these groups without abandoning their target-oriented culture, they may not only fail to create resilient and self-reliant organisations among the poor, but they may crowd out efforts by the NGOs.

3.3 Seasonality, stigma and self-targeting: Public works and employment generation

Public works programmes tend to be more effective than other forms of prevention and protection in reaching the poorest sections of the population. We have already noted evidence from India that they have been more effective than either the public distribution system or the subsidised provision of credit. In Bangladesh, an evaluation of the three main food-based safety net programmes found that Food for Work and Vulnerable Group Development programmes appeared to be most successful at targeting the poor who made up 74% and 93% of their beneficiaries respectively. Food for Education had the highest leakage costs. At least a third of its households came from above the poverty line.

Public works programmes are considered to be effective in reaching the poor because they are self-targeting: no attempt is made to define who is eligible but the programme is designed in such a way as to ensure it is mainly the poor and vulnerable who come forward. The main design features of self-targeting programmes are that they offer benefits (inferior foods or lower-than-market wages) or impose requirements (unskilled manual labour) which are only likely to attract the poorest sections of the population. This means that they have low administrative costs (unlike means-tested programmes) and fewer errors of inclusion (unlike the untargeted transfer programmes).

However, public works programmes do raise questions about the *terms* on which public assistance is provided to the poor. What makes self-targeting effective is the social stigma attached to participation, a stigma that is largely borne by those who are the most vulnerable and excluded in society. To that extent, it could be argued that while such programmes may have lower administration costs than other targeted programmes from the point of view of providers, they have higher social costs from the point of view of intended beneficiaries. However, debates on this issue suggest that stigma can be reduced, though not completely eliminated, through some degree of sensitivity in the design of public works.

Vasavi's study of famine relief efforts in rural Karnataka offers a historical perspective on this (1999a). She notes how early colonial efforts to provide famine relief in the wake of successive droughts failed to achieve the kind of participation they had hoped for because these efforts were designed without due attention to local values. They required those suffering from food deficits to present themselves at feeding centres some distance away from their villages where they were provided with cooked food.

A number of factors explain the gradual increase in the rates of participation in these schemes. First, a succession of droughts in the region began to erode the capacity of traditional safety nets to provide the support that had been possible in the past. Second, famine relief efforts were redesigned in ways that made them more acceptable to those in need. First, relief efforts were brought closer to the villages suffering from famine rather than requiring famine victims to make their way to feeding centres in the towns. Secondly, cooked food was replaced by food grain, which overcame caste inhibitions about accepting famine benefits. Thirdly, food was offered in exchange for the provision

of labour on public works designed to create infrastructure that was seen to be of benefit to the whole community rather than as a hand out to the destitute.

There may be other ways of mitigating the stigma of participation in public works relief programmes. The Employment Guarantee Scheme (EGS, Box 3), which is taken to be one of the most successful of India's public works programmes, exemplifies many of the features which explain why it is the poor who are most likely to participate in public works programmes: it offers unskilled wage labour at wages below those prevailing in the agricultural labour market. Participation in such programmes represents a public admission of poverty and a failure to find alternative forms of employment. However, a number of authors have suggested that what sets the EGS apart from other programmes is the legally enshrined 'guarantee' of employment which it contains (Moore and Joshi, 1999). Work is treated as a right rather than a provisional welfare measure. According to Echeverri-Gent (1988), the guaranteed status of the EGS has operated to strengthen the bargaining position of landless wage labourers vis-à-vis employers while Dreze (1990) also suggests that it allowed relatively marginalised groups to become less dependent on political powerful landlords for economic support.

Box 3 The Maharashtra Employment Guarantee Scheme: Guaranteeing the right to work

While agriculture is a major source of employment in rural Maharashtra, much of the land is semi-arid, with a core group of districts which are particularly prone to drought. The Employment Guarantee Scheme (EGS) developed out of the state government's response to a particularly severe drought in 1970–3 and was given statutory status in 1977. It has served to redistribute income from wealthy urban areas to the rural poor through tax: over the years the contribution from Bombay city alone has fluctuated around 60%. Support from the urban rich for the programme stems from its role in stemming the flow of migration from the countryside into the towns.

The EGS guarantees unskilled manual work on public works programmes to anyone who is prepared to accept it, provided they register for work with the local administration and there are at least 50 job seekers within the locality. The EGS concentrates on infrastructure projects proposed by local authorities, selects labour-intensive technologies and targets poor areas. Wages paid are usually around 30–60% of programme costs and employment must be in place when crisis strikes.

Although in principle the EGS is open to all, poor as well as non-poor, in practice, it has largely attracted the poor: it has been estimated around 90% of participants have incomes below the poverty line and that participation is inversely related to wealth of households. This reflects both the nature of the work – unskilled wage labour – as well as the terms on which it is offered. EGS schemes are intended to operate only in the lean season, so that they do not compete with the demand for agricultural labour, and offer wage rates below the prevailing rate for agricultural labour so that it did not draw away labour from agricultural waged work or attract the non-poor.

It has been estimated that the EGS generated an average of 157 million days of work every year between 1975 and 1988, reaching an all time high of around 204 million days of employment in 1979–80. However, this was the most vital period of the scheme. In 1988, EGS wages were made equivalent to the minimum agricultural wage, which was higher than the prevailing market wage. Since then, the amount of employment generated has fallen as a result of informal 'rationing' of available work.

Source: Engkvist (1995)

Moreover, as Moore and Joshi (1999) point out, the right to employment embodied in EGS legislation guarantees a range of other, enabling benefits, including payment if workers use their own tools; plastic spectacles for those employed in stone breaking; provision of on-site drinking water; first aid and child care; compensation payment for failure by government to provide work; and for worksites more than 8 kilometres from employees home, coping facilities and access to 'fair price shops'. The legislative status of these subsidiary rights has allowed for a great deal of political activism in order to ensure that they are respected. This is in contrast to the Employment Assurance Scheme (EAS), a nation-wide scheme based on the EGS and implemented by the central

government. It is described as identical to the EGS, 'except for the lack of a guarantee of work'. This is a crucial omission: 'there is no client mobilisation around EAS, because the lever of rights is lacking' (Moore and Joshi, p.29).

It should also be noted that, although the EGS was not intended as a programme for women, it has attracted a high percentage of female participants from the outset, with estimates ranging between 45% and 64% (Engkvist, 1995). This may partly reflect the fact that women have more limited livelihood options so that, by not actively discriminating against them, the EGS provides them with an important means by which to contribute to family income. It may also reflect certain features of the EGS that address women's gender-specific constraints: the guarantee to provide employment within a radius of 8 miles of the village in which participants reside, of particular value for women who tend to be less mobile than men, and the provision of childcare facilities.

However, while these findings may have applied in an earlier phase of the EGS, more recent research by Ravallion et al. (1993) suggests that the 'guarantee' element of the EGS appears to have considerably weakened and, with it, its targeting efficiency. This is a result of the decision in 1988 to double the piece rates offered by the EGS in line with the doubling of the statutory minimum wages rates in agriculture. The prevailing wage rates in agriculture tended to be below the statutory minimum because of enforcement problems. As Ravallion et al. point out, 'In theory at least, a scheme such as the EGS gives the government a policy instrument for enforcing the minimum wage rate, as the guarantee should be a credible threat in unskilled labour markets' (p.269).

However, the failure to agree an increase in the budget for the PDS commensurate with the increase in wages thwarted the intentions of the increase. Instead, analysis of the period between 1988 and 1990 suggests that employment rationing came into play (Ravallion et al., 1993): there was a substantial fall in the amount of employment provided by the EGS so that it met only 43% of the desired local employment; there was a shift into forms of work which paid lower piece rates and employment went to those with easy access to EGS schemes rather than those who needed it most. Nor was there any evidence of an increase in the prevailing agricultural wage rate which should have occurred if the EGS was indeed operating to force the market wage upwards.

Such findings underline the point made by Sen (1998) regarding the need for clarity in objectives in the design of safety nets. He points to the trade-off between generating employment for poor households, and hence emphasising the unskilled labour content of public works, and creating community infrastructure, which may require increasing the skills and material content. He also notes the trade-off between paying the minimum wage on public works programmes, and improving the living standards of those who gain such employment, and the amount of employment that can be generated and hence the number of people who benefit. He suggests that while the creation of assets and the redistribution of income are both laudable objectives in their own right, they should not be confused with the primary goal of a safety net measure, which is to generate employment for vulnerable households in time of need. The 'employment guarantee' element of such schemes could only be upheld if wages were set to levels where the demand for such employment matched the funds available. As more funds become available for such schemes, the wage rates could be increased and some redistribution effected. However, 'the employment guarantee aspect should be the primary concern and the higher wages the secondary concern because only this priority would keep out the relatively rich while allowing the poor unimpeded access' (Sen, 1998, p.16).

Before concluding this section, it is important to note that the timing of public works may be as important as the wages offered for determining the nature and distribution of benefits. Rahman et al. (1998) have pointed out how a failure to modify the assumptions built into the FFW programmes over time have undermined their targeting effectiveness. Historically, Bangladesh had two slack

seasons: September–October and January–March. With the spread of modern forms of irrigation, however, it has become possible to cultivate a rice crop in the dry winter season in many parts of the country. There are now new peaks of labour demand for transplanting winter rice and for harvesting it in April–May. However, 75% of FFW schemes are still provided in the traditionally slack, dry season from January to May. By contrast, only around 5% of its schemes are implemented during September/October, now the most intense period of distress. This means not only that FFW activities are being implemented during a time of the year when they are in conflict with crop production, thereby contributing to labour shortages and exercising an upward pressure on wages, but also that they fail to target the period of acute need. One factor which prevented the FFW programme from being re-targeted to the September/October period is that this is the wet, post-monsoon period, while most FFW schemes entail earth moving (road construction, canal digging, tank excavation, embankment construction, etc.) which are best implemented during the dry season. Thus not only do FFW programmes need seasonal re-targeting but they may also need to rethink the kinds of schemes they seek to implement. This may entail a greater focus on road maintenance than building – an approach which has been adopted by the CARE programmes (see below). Alternatively, more attention can be given to investment in various forestry and fishing projects.

3.4 Anticipating crisis: The importance of *ex ante* measures

We noted earlier that, while precautionary measures against crisis may diminish a household's standard of living, *ex post* responses are often far more costly. Analysis by Subbarao et al. (1997) comparing the experience in South Asia with that in sub-Saharan Africa suggests that the same principle may apply in relation to public safety net measures. Labour-intensive public works have been a fairly standard response in both regions to famine and drought, more so than in other parts of the world. However, an important difference between them is that those in South Asia receive more funds and, in the India case in particular, support from government, while those in Africa tend to be donor-driven and short-lived. Subbarao et al. suggest that this may explain the harsher consequences of drought in the latter region. For instance, the massive drought which occurred in India in 1987–8, affecting nearly a third of its population, did not result in a single drought-related mortality. The drought which occurred in Ethiopia in 1991 was of a far smaller magnitude, but caused considerable distress and mortality (Subbarao et al., 1997).

Factors behind these very differing outcomes include 'the prevalence of consumption-smoothing public works programmes, an administrative and institutional framework that is well-adapted (over time) to drought situations, and a free press' (Subbarao et al., 1997, p.14, fn.7). Indeed, in the Indian case, the incidence of poverty actually decreased in 1987–8, despite one of the worst droughts in the country's recent history, compared with what had prevailed in 1983, a year of good crop yields (Mundle, 1994). This reflected the willingness and ability of the government to scale up its public works efforts: while up to 670 million person days of employment were provided in rural areas under the routine government-sponsored rural employment schemes, the central government spent an additional 14 billion rupees on drought relief operations... in order to generate a further 772 million person days of employment, protect livestock, maintain potable water supplies and so on (Mundle, 1994, p.6).

A comparison of the 1974–5 famine in Bangladesh with the extended drought in Maharashtra in the early 1970s by Cain and Lieberman (1982) also underlines the importance of *ex ante* measures. They note that the frequency of land sales in Maharashtra remained low and relatively constant over the period studied, while it soared in Bangladesh, particularly in times of crisis. While this may have reflected the harsher environment of risk in Bangladesh, they suggest that the timely provision of a variety of public relief, including public works employment, in Maharashtra, was of particular

importance in explaining the contrast. The Maharashtra Employment Guarantee Scheme rose out of these efforts to become a state-wide, on-going 'safety net' to the rural population. By contrast, no comparable relief efforts were undertaken by the Bangladesh government. Ravallion et al. suggest that 'from what we now know about the famine in Bangladesh during 1974, it is evident that if an effective rural public works scheme had existed, a great many people would have been saved from starvation and impoverishment' (1993, p.166). The Food for Work programme in Bangladesh was put into place after this experience.

The response to the 1998 floods in Bangladesh ('the worst in living memory') provides a barometer of the extent of change in the country.¹⁰ It was clear this response benefited from the lessons of the past as well as from the institutionalisation of a variety of safety net and other programmes. A Vulnerable Group Feeding (VGF) programme began on a large scale in flood-affected *thanas* very soon after the onset of the floods in August. An initial distribution of 1.3 million cards was made. An estimated 1.35 and 2.13 million households received VGF cards entitling holders to 8 kgs. of rice a month in August and September. By late September, the number of cards was expanded to 4 million. Although there were delays in the arrival of promised food aid, the Government of Bangladesh's own commercial imports of wheat arrived in time to permit the continuation of the expanded VGF programme in November.

VGF cards were targeted to the poor through a number of committees, which reached from national to local levels. A study by Grameen Trust in 14 *thanas* found that 'poor people almost always were the recipients of VGF cards, though specific sections from amongst the poor may have been favoured' and that 'in general, there was a strong corruption-free climate in the distribution of VGF cards' (Shahabuddin, 1999, p.76). Along with government imports of food and food aid, private food imports also helped. The government had encouraged private sector imports of rice after a shortfall in rice production in early 1998, through the removal of tariffs on imports and ensuring the free movement of these imports as official trade. As a result the private sector imported over 1 million tons of rice from India through official channels in the first six months of 1998. Following this policy after the floods, the private sector was encouraged to import more than 200,000 tons of rice between August 1998 and March 1999. Rice prices were thus kept to import parity levels.

Government efforts at distribution, supplemented by the availability of private sector supplies, played an important role in reducing fluctuations in consumption during and after the floods. The existence and activities of a widespread network of NGOs also contributed to the relief effort through the distribution of food and oral saline solutions (thus averting the feared outbreak of cholera) and by ensuring that the most needy were targeted by their own and government efforts (Zaman, 1999). The provision of information about relief entitlements during the floods also ensured that there was local-level pressure on officials to ensure proper distribution. In addition, many years of efforts of health prevention lessons by organisations like BRAC and others meant that the vast majority of the population automatically boiled water before drinking it, averting a major source of illness during past floods.

Some important lessons are drawn by Johnson (2000; see also Development Alternatives, 2000) about the role of microfinance in general in countering risk and uncertainty on the basis of the experience of the 1998 floods. She suggests that the response of the microfinance sector as a whole in Bangladesh demonstrated 'a new level of institutionalisation of credit' (p.4). The largest micro-finance organisations – Grameen Bank, BRAC and Proshika – were able to provide relief and reconstruction assistance immediately out of the reserves which they had built up as a result of their

¹⁰ The speed and effectiveness of the response in Bangladesh is in marked contrast to the response to the cyclone in neighbouring Orissa in 1999, where the death toll was around 12,000. There were few NGOs on the ground in Orissa and government response was both belated and badly managed.

size and multiple sources of funds (from related business interests as well as donors). Financially they survived the shock by running down their reserves. Grameen also benefited through its linkages with the formal banking system and was able to borrow US\$50 million. from the Bangladesh Bank to assist re-capitalisation. The smaller MFOs, on the other hand, suffered from a liquidity squeeze. However:

‘(i)n contrast to the floods of 1988, there were no calls for loan write-off, either from government or borrowers. Instead the sector as a whole sought to promote standards of good practice which included not writing off loans; rapid assessment of the impact on the MFO’s portfolio; the development of new products and responses in order to create safety nets for vulnerable groups; and ensuring that relief work did not undermine the financial management of the MFO’ (ibid. p.4).

This willingness to continue to repay loans signalled an acceptance on the part of the community of the role of NGOs as credit providers rather than merely conduits for relief. Indeed, the combination of relief approaches with credit-based ones did not prove to be a problem.

Documentation of the responses of households to the floods also provides some insight into the significance attached to access to microfinance by households: most preferred to cut back on their consumption levels, draw down on food stocks, switch to cheaper food items and to borrow from relatives or money lenders rather than to suspend their loan repayments (Zaman, 1999). Suspension of repayments might have jeopardised their ability to obtain larger loans in the aftermath of crisis and hence delayed their ability to recover.

3.5 Climbing out of poverty: The developmental potential of protection measures

The paper has so far stressed upon protection and promotion as distinct policy objectives, addressing different needs, requiring different approaches and serving different sections of the poor. In this section, however, the possible inter-relationships between these objectives and measures will be considered. It will consider, first of all, whether measures intended to protect livelihoods can evolve into, or be linked up with, measures intended to promote livelihoods. It will also consider whether protection measures can also contribute to overall growth objectives. The first question relates to the movement of households out of poverty and onto a trajectory of accumulation, while the second relates to the broader development trajectory.

In attempting to answer the first question, the varying nature of vulnerability among poor groups and concomitant variations in their ability to climb onto opportunity ladders has to borne in mind. Those who are physically unable to take advantage of economic opportunities because of age, disability and ill-health are also least likely to be able to take advantage of certain forms of safety net measures, such as public works programmes, or to be able to contribute to social insurance schemes. Some form of non-contributory social assistance may be the most appropriate response here. There are others who may be physically able but lack economic assets, and there are the vulnerable non-poor, households above the poverty line but precariously so. For the extreme poor, who face highly irregular and uncertain flows of income, the priority may be to reduce fluctuations and build up assets. For those who face social discrimination as well as economic deprivation, issues of voice and agency may be as important as social protection for such groups and are discussed in greater detail in the next section. Finally, moderately poor households and the vulnerable non-poor are most likely to benefit from some combination of protection and promotion, which gives them a more secure base from which to diversify into higher return, but higher risk activities.

This suggests that policy measures for vulnerable groups have to take account of different capabilities as well as different needs. Protection measures can evolve into, or link up with, promotion by starting with the resources and activities that households currently manage and gradually building up their capacity to manage a wider range of resources and higher value activities. PRADAN's experience, for instance, suggests the existence of 'livestock ladders' in rural India of the kind that Whitehead (1998) found in the context of Ghana: the very poor may only be able to manage poultry, goats and pigs when they first adopt rearing as a livelihood strategy, but with increased experience and resources, may later graduate to larger livestock such as cattle.¹¹ There are also likely to be 'human capital ladders': health needs are likely to be a priority for the very poor whose physical labour forms the basis of their livelihood strategies. However, once health needs are assured, and some degree of livelihood security attained, other forms of human capital may begin to assume significance: basic literacy and numeracy leading onto accountancy and business skills.

The literature on safety net and poverty reduction measures draws attention to the different kinds of impacts associated with different measures. As we saw, studies of the PDS tend to highlight its role as a protection measure by stabilising the price of essential commodities and contributing to the nutritional needs of the poor. It has also been found to reduce poverty levels in some Indian states. As far as public works programmes are concerned, we have already noted their contribution to securing the livelihoods of the poor by providing them with employment in agriculture in the lean season, as well as in times of crisis. An evaluation of the NREP by the Programme Evaluation Organisation of the Planning Commission of India (cited in Papola and Sharma, 1996) suggests that the NREP increased employment availability to its beneficiaries by around 17% and contributed to around 22% of employment in rural areas. Sen (1995) has suggested that, because public works programmes are better-targeted than most other anti-poverty measures, they tend to be more effective in moderating the severity, rather than the incidence, of poverty. We also noted that the protection provided by the EGS during the major drought in Maharashtra in 1988 reduced household reliance on more 'irreversible' strategies, such as selling off land, in order to cope. While it was also suggested that the EGS may have served to exercise some upward pressure on wage levels in the agricultural labour markets, this ceased to be the case once employment became subject to rationing after 1988.

However, evidence of the extent to which public works programmes can play a broader developmental role offers an uneven picture. Lack of planning and coordination by local authorities has often prevented such programmes from generating assets and infrastructure for the community, although this is often an explicit secondary objective. We noted Sen's point earlier that there is a trade-off between generating employment and generating infrastructure. Certainly, Papola and Sharma express some concern that the 60:40 wages to materials ratio stipulated for the JRY (which subsumed the NREP) will limit the extent to which its secondary objective of asset generation can be achieved. There is also concern that no allowance has been made for maintaining assets/infrastructure that have been constructed under this programme (Papola and Sharma, 1996; Nayar, 1995), although around 70% of assets created were in good/satisfactory condition.

There are also other reasons why public work programmes may not have contributed to sustainable asset creation: according to Papola and Sharma, 'in most cases, no shelves of projects were prepared and the projects taken were thus decided upon in an *ad hoc* and unprepared manner, resulting in the creation of assets which were not suitable or durable. The works related to apparently useful sectors like social forestry, soil conservation, schools and other buildings, roads, tanks and irrigation and flood control. But roads and buildings accounted for major part of the expenditure and their quality in terms of durability and suitability and potential benefits was found rather doubtful' (p.602).

¹¹ Personal communication, Narendranath.

Similar criticisms were levelled against the Food for Work programmes in Bangladesh. Along with the ‘useless roads syndrome’, Hyder (1996) pointed out practices which ensured that FFW funds were put to uneconomic use. These included a lack of clarity in how resources were allocated to different activities, how cross-cutting demands from different constituencies were reconciled, the lack of clear records, the haphazard undertaking of public works, often governed by political pressure and the desire to spread food aid as thinly but as widely as possible: ‘the objects were to satisfy needs; keep things going; take on the most urgent requirements; but hardly ever to complete anything’ (p.28).

However, as a result of the strong growth in the magnitude of food aid resources available through Food for Works programmes – WFP food aid increased to 572,000 tons by 1984/5, ten times the volume available under the initial WFP commitment in 1974 – an explicit decision was taken in the late 1980s to build developmental objectives into the programme alongside their protective functions. A committee set up to explore this new orientation recommended the integration of food aid resources into national and sectoral planning processes and the diversification of FFW activities from food and water to fisheries and forestry (SIFAD, 1989). The Ministry of Relief gradually relinquished its central role in the FFW programme to the Ministry of Planning and the line ministries.

According to Hyder (1996), the decision to combine relief with development in FFW activities explained the success of the government’s response to the major cyclone which hit Bangladesh in 1991, killing 138,000 people and causing extensive damage to coastal embankments and widespread flooding of agricultural land: ‘Within days, the Bangladesh Water Development Board, with assistance from the WFP, took up the tasks of emergency relief and rehabilitation. Temporary low embankments were constructed. In an unprecedented action, the work was carried out during the monsoon, from May to September 1991. Wheat was disbursed as Food for Work wages, providing much needed food and employment to over 55,000 men and women in the affected areas. The embankments, built by hand using mud and clay, effectively stopped further inundation...an investment of 35,000 tons of wheat, provided as wages, enabled the farmers to produce 170,000 tons of rice during a following “*aman*” season’ (p.21).

CARE–Bangladesh, which not only executes the WFP project, but also contributes to FFW projects in its own right, also reviewed its own Integrated Food for Work project and decided to shift to an Integrated Food-for-Development project to achieve a yet greater focus on development rather than relief (cited in Hyder 1996, p.30). The programme continues to play a safety net role by providing work to destitute women in rural areas. Ten women from each local government unit are selected to form a self-managed association contracted to maintain 20 kilometres of rural earthen roads, for four-year periods. Wages are paid into a bank to maintain savings. At the end they are provided with 9 months training and use savings to start up businesses. By June 1997 nearly 60,000 women had received such training in over 4000 unions.

In addition, however, the programme has contributed to rural infrastructural development by increasing the year-round utilisation of roads. Recent evaluations of the impacts of the programme found that there had been significant increases in commercial freight and passenger volumes moving along the improved roads (Langworthy, 1999; Ghani, 1999).

The reduction in freight transport and passenger travel costs had led to households switching from their own to commercial means of transport. The number of shops and markets alongside the road had increased in number and scale so that households with access to the roads also obtained improved access to market outlets. Growth in agricultural incomes was found to be a major source

of differential income growth between households who had benefited from better access and those who had not.

The qualitative data suggested easier access to agricultural inputs as well as to markets for agricultural outputs. Intensification of agriculture had not generated wage employment. Instead labourers have moved into non-agricultural activities supported by roads (commercial transport, small business and shops). Finally, there were some gender-differentiated impacts. While men continue to make up 80% of users, the rates of increase in use by women were much higher (29% compared to 18%). In particular, roads appeared to have improved girls' access to education. Use of roads for educational purposes went up by 58% for female users and by 15% for male. Increased access to NGO programmes and social services were most likely to be reported by women and poorer groups.

However, it is the literature on finance-related interventions for the poor that deals most extensively with impacts relating to promotion as well as protection. As we pointed out earlier, micro-finance organisations have been able to achieve these differing goals by diversifying their 'products' to address the needs of different groups, rather than through a single homogenous product. There has been some debate about the extent to which financial services for the poor have actually achieved a reduction in the incidence of poverty. In India, for instance, Papola and Sharma (1996) note that estimates for the period 1977–9 to 1987–8 suggest that only 19% of households that crossed the poverty line had benefited from IRDP assistance. This suggests that the majority of households that crossed the poverty line did so without IRDP assistance. While it is the case that the IRDP is supposed to concentrate its assistance on the very poorest, in practice this policy not always been followed and it is largely the moderately poor as well as those above the poverty line who have benefited. In Bangladesh too, Morduch's (1998) assessment of a number of microcredit programmes also found little evidence of increases in household income/consumption which might have resulted in a reduction in poverty.

On the other hand, other studies report findings that suggest such conclusions may need to be interpreted with care. For instance, on the basis of findings from thirteen microfinance institutions in seven developing countries (including three from Bangladesh and one from India), Hulme and Mosley suggest that the impact of lending on household income and asset position tends to increase, at a decreasing rate, as household income and asset position improves. This reflects the greater preference of the very poor for consumption loans, their greater vulnerability to distress sales of assets in response to crisis and their more limited range of investment opportunities. There also appears to be a threshold cumulative loan size beyond which microcredit begins to make a significant impact on household poverty (Zaman, 1999; Hulme and Mosley, 1996).

There is greater agreement about the impact of microcredit on household vulnerability. Using Bangladesh data, for instance, Morduch estimated that households with access to microcredit had experienced between 47–54% (depending on the programme in question) less consumption variability than households with no access. Other studies found that households with access to microcredit were more likely to report land and/or non-land assets than those without (Hashemi et al., 1996; Pitt and Khandker, 1995; Bruntrup et al., 1997; Zaman, 1999), while yet others found that longer-term borrowing households had higher levels of productive assets than those that had recently joined (e.g. Montgomery, 1996). Of course, this finding might also suggest that households with more productive assets are more likely to be able to borrow over longer periods of time (i.e. not that long-term borrowing will necessarily lead to the accumulation of productive assets). My own study found that many poorer women borrowers invested their loans in poultry and goats, which acted simultaneously as a highly divisible form of savings and investment – they were able to sell the eggs or kids to tide them over in times of need and at the same time, retain the original asset as a source

of future income. Thus, one way in which access to credit reduced household vulnerability was by increasing the household's asset base and capacity to save (Kabeer, 2001).

Access to credit has allowed households to diversify their livelihoods so that irregular returns from trade or agricultural wage labour could be supplemented by lower paid, but more regular, forms of self-employment (Kabeer, 1998; Khandker et al., 1998). In some cases, the decision to take up self-employment in place of waged employment, particularly waged employment in agriculture, represents a decision to move out of a badly paid form of labour for others to a possibly better paid form of labour for oneself (Kabeer, 2001). In other cases, investment in off-farm enterprise was used to generate profits which could be used to promote farming activities, to purchase small plots or to improve productivity of existing holdings or homestead farming.

In yet other cases, access to NGO credit represented a diversification of credit sources and the ability to borrow from different lenders for different needs – a longitudinal study from India reported that access to NGO credit rescued poor working women from the worst effects of major stress events, such as illness, flood, death and desertion. It did not remove their reliance on moneylenders but allowed them to pay off past debts so that onerous interest payments were removed and major assets not lost through debilitating forms of credit: 'this increases family security by keeping open the avenue of taking money lender loans again in the future' (Noponen, 1992, p.250).

A third area of impact on which there is evidence relates to the intra-household vulnerabilities we referred to in the earlier part of the paper. There is increasingly strong evidence to suggest that the practice of targeting women in recent financial interventions has had the effect of modifying the basis of their vulnerability. This has occurred through a number of different pathways: increasing women's own sense of self-worth as well as the value accorded to them by other household members; through a greater role in household decision-making on both major and minor issues; reduced levels of domestic violence; acquisition of assets in their own name or on a joint basis; greater mobility in the public domain; increased awareness of their own rights; greater ability to save and a safe place to keep their savings (Kabeer, 2001; Naved, 1994; Zaman, 1999; Schuler et al., 1996; Amin and Pebley, 1994; Hashemi et al., 1996; Pitt and Khandker, 1995).

Less well-researched but of equal importance is the apparent impact of credit on children's welfare. Studies from Bangladesh suggest that access to microcredit increases the likelihood of children going to school (Pitt and Khandker, 1995) and may help to close the gender gap in education (World Bank, 1994; Kabeer, 2001). In addition, Ridao-Cano, (1999 and forthcoming) confirms the positive impact of access to credit on children's schooling, and also found that loans to women were more likely to both increase children's schooling attendance as well as cut down on their involvement in labour.

Finally, there is much more research needed on the wider impacts of these programmes; in other words, its repercussions on the lives of those who are not direct beneficiaries and on the wider local economy. It has been suggested that the tying of credit to the purchase of a limited range of assets (as in the case of the IRDP) or the confinement of the poor to certain activities, can lead to the saturation of certain markets. This is particularly likely to be the case with female entrepreneurs who are more likely to operate at the poorer end of highly segmented commodity markets. For instance, an evaluation of Nari Nidhi, an organisation in Bihar, found that when a large batch of loans were given to female fish vendors in particular villages, the demand for fish was not sufficient to absorb the sudden increase in supply which the women were offering, leading to a fall in prices and in their incomes.

However, there is evidence from Bangladesh that where there has been a longer-term presence of a microcredit programme, it has led to an increase in rural wages because of the tightening of the

labour market (Khandker et al., 1998). Anecdotal evidence suggests that a similar effect as a result of SHARE's activities in Andhra Pradesh, while PRADAN's activities in Bihar and Rajasthan may have led to a fall in the interest rates charged by money lender (personal communication, Narendranath). However, this remains an under-researched area.

Experimentation and innovation to enhance the pro-poor growth potential of microfinance measures continues. One promising direction this has taken is to offer new opportunities which can help poor and disadvantaged groups overcome the limits placed on their livelihoods by the segmented nature of markets. The provision of mobile phones to village women by Grameen Bank is one example (Box 4). This provides village women with a new means of livelihood, selling time on the phone to other villagers, thus allowing them some escape from the confines of gender segmentation in local markets. In addition, however, by providing villagers with improved access to information about market prices, and hence better prices for their produce, it holds out the promise of greater integration of national markets.¹² However, another form of experimentation might be to explore the extent to which a greater role played by the state may help to maximise positive synergies between the provision of credit and other interventions likely to be of benefit to the poor. NGOs, however large, cannot provide the 'joined up' policies which pro-active states are able to do. For instance, an important paper by Zohir (2001) noted the fragmented provision of certain essential services in the Bangladesh countryside. NGOs have led the way as far as credit provision is concerned. Their success in this has led a number of them to explore setting up marketing channels for resulting enterprises. At the same time, the state remains responsible for agricultural extension services. A more integrated provision of credit, marketing channels and information and extension advice is a role that the state could play more effectively than NGOs and would make an enormous contribution to the productivity of poor people's livelihoods.

3.6 Rights, collective action and the politics of poverty reduction

We have so far focused on the design and administrative weaknesses of social protection measures to explain shortfalls in their performance: these include the conflicting mixture of goals and procedures, erroneous assumptions about nature or timing of need, difficulties of accurate targeting, piecemeal responses to crisis and lack of coordination with the broader development agenda. In addition, however, there are another set of problems which reflect the political environment in which these programmes are designed and implemented, including 'élite' capture of benefits, the use of programme resources as forms of patronage, corruption, revenge,¹³ misappropriation of public funds and the vagaries of electoral politics. Populist politicians have often used government programmes to enhance their own popularity in ways that undermine the effectiveness of those programmes: the waiving of loans arrears, for instance, or increasing wages on public works programmes without commensurate increases in the budget available for them. Governments have sought to defuse opposition to economic reform through the introduction of welfare schemes designed to 'benefit groups whose clout might pose a serious threat to reform' (Jenkins, 1999, p.185). Indeed, the leakages of resources from poverty alleviation and safety programmes can serve a political purpose by contributing to the sustainability of these programmes during periods of adjustment (Nelson, cited in Jenkins, *ibid.*).

Box 4 Grameen Phone: Integrating markets

¹² In Sri Lanka, the introduction of telephone services in rural areas increased the farmers share of prices received for crops sold in cities by between 50–80%.

¹³ Gunatilaka (1999) cites a judge in Sri Lanka who observed 'it is remarkable how often over the years it has turned out by some extraordinary coincidence that the public interest appeared to require the acquisition of lands belonging to persons politically opposed to the party in power at the time' (p.8).

In the farming village of Jolarpar, 20 miles north of Dhaka, Jamirunnesa, a 38-year-old housewife-turned-businesswoman, runs a cellphone service for villagers who still commute through dirty roads. The phone, which is still a privilege for the rich in Bangladesh, also helps the mother of four children earn a fair profit from the poultry farm she runs. 'There are buyers who want to cheat me. But they can't because I've the phone that comes handy to know at what rate the chickens are selling in the markets,' said Jamirunnesa, waving her Nokia handset.

She bought the phone in February last year after borrowing 18,000 *takas* from Grameen Bank, which provides poor women with small loans to start small businesses, such as cow rearing, grocery stores, poultry farms and vegetable gardening. Grameen Phone, the telephone arm of Grameen Bank, provided the cellphone at subsidised prices. Grameen Phone is one of the four commercial cellphone operators in Bangladesh. In 1997 Grameen Phone made a surprising move in giving mobile phones to mostly illiterate village women which sets it apart from the three other companies that operate only for urban users. Grameen Phone selects the cellphone operators from the bank's borrowers who have already demonstrated their business talents and earned trust in regular repayment of the loan.

'A telephone is no longer a luxury for villagers. It helps farmers to get fair prices for farm products, relatives to know about the remittances sent from migrant workers abroad and patients to arrange appointments with doctors in the cities,' said Mehbub Chowdhury, who heads the marketing of the cellphones. 'It's a tool for economic growth,' Chowdhury said.

Consider Jamirunnesa, who earns an average net profit of 2,500 *takas* (US\$50) a month by selling her cell phone services. This means US\$600 a year, twice the county's annual per capita income. When she borrowed 3,000 *takas* from Grameen Bank the first time 10 years ago, Jamirunnesa's family could not afford enough meals a day like half her countrymen. She invested the money in buying a milching cow and quickly repaid the loan by selling milk. Three years ago the woman with little schooling qualified to borrow higher than the first loan to start the poultry farming. With the additional earnings from the cell phone she has bought two fans, and added a piece of farmland besides keeping part in bank savings.

The first village mobile phone was introduced in 1997 and since then it has expanded to 1114 operators in many villages. Grameen Phone plans to reach another 886 villages this year. The achievement looks great in a country where less than 1% of the 125 million population has a telephone, including 100,000 cell phones.

Source: Farida Hossain, News Network.

Corruption is also a major factor undermining the effectiveness of public efforts at poverty reduction. A Bangladesh Transparency International (2001) report found it to be pervasive across the public sector: in the delivery of social services, such as health and education, in the judiciary and police, in the banking sector and in the provision of municipal services. The poor were most likely to go without water and power because they cannot afford the necessary bribes; to receive no or lower quality education and health and to remain cut off from infrastructural developments because government contracts for roads, canal and embankments are diverted or mis-spent. In India, too Jenkins (1999) notes that the upgrading of rural public assets, the *raison d'être* of public works schemes such as JRY and EGS, is often subverted so that public funds are paid to poor labourers to work on facilities used primarily by rich or middle-class farmers.

Given these governance problems with the design and implementation of social welfare and safety-net interventions, there is an emerging stress on the importance of mobilising users to demand greater transparency and accountability from public providers and the public funds that they manage. While there are state-led initiatives to organise communities in relation to various resources such as water, forests, education and health, studies indicate that these user groups are not always inclusive or able to respond to the needs of the poorest or socially excluded (Saxena 1994; Vasavi et al., 1997; Sarin 1999). As Moore and Joshi (1999, p.52) note, state-led corporatism targeted at the poor is open to charges of co-optation, where 'the state mobilises and organises socio-economic groups in its own interests, and in ways that closely circumscribe the autonomy of the organisations and their

capacity genuinely to represent societal interests’.

Decentralisation is another state-led initiative, which has in theory expanded opportunities for local communities to voice their concerns to locally elected representatives, and fostered greater transparency and accountability in public decision-making processes. However, it is not a magic bullet. In many parts of India, decentralisation suffers from insufficient financial allocation to local levels, poor and underdeveloped planning capacity and inadequate information provided to citizens. For instance, Jenkins reports the findings of two government evaluations of JRY, which found that roughly one-third of village *panchayats* implementing JRY schemes did not possess a copy of JRY guidelines. In Bangladesh, Rahman (1998) comments that the potential of local governance, essential for tackling poverty, has so far ‘been restricted to only concerns of electoral rights and vague notions of local planning’.

While political decentralisation in the form of local democratic elections has been a positive outcome of the processes underway in the last decade, the results have been uneven. In areas where NGOs and social movements had been active prior to serious efforts at decentralisation, the results have been positive, relative to those areas that had no prior groundbreaking activities. For example in the southern states of Kerala and Karnataka, *panchayati raj* or local self-government has taken root owing to a combination of sound policies on the part of the state, and active training and support to elected representatives.¹⁴ In Bangladesh, NGOs played an important role in the 1998 local government elections. Voter mobilisation through a network of NGOs led to extremely high levels of turn out, remarkably so among women (85% of those eligible). In addition, a number of NGOs encouraged their group members, usually drawn from poor and landless sections, to contest the elections. These groups won around 10% of posts of Members of Union Councils.

However, other experiences with decentralisation processes have led to fears that local level politics will surface, rather than contain, conflicts of interests at the local level. Powerful groups can lobby more effectively for resources, capture more of the political space and create conditions under which the participation of the poor and excluded is even harder to achieve. Although state policy mandates the reservation of a fixed proportion of *panchayat* seats and leadership positions for traditionally excluded groups (Scheduled Castes, Scheduled Tribes and women), there is a widespread consensus that the entitlement to participation on the part of excluded groups is yet to be fully accepted within rural communities in particular. While the evidence of decentralisation overwhelmingly documents the problems of equal participation of excluded groups in agenda setting at the local level, there are still indications that there has been some positive impact in some places in terms of improving developmental results to the poor. Whether these outcomes are merely related to an overall improvement in efficiency on the part of administrators as a result of decentralised attention to their activities (as Crook and Manor, 1994, note for Karnataka), rather than long-term redistribution of resources and power, remains a matter demanding greater investigation.

However, by far the greatest impact on social exclusion appears to have been effected through collective action by social movements that form an active lobby to challenge institutional failures. In India, identity-based political formations have had considerable success in challenging caste-based discrimination, particularly in the field of education (Velaskar, 1998; Heller, 1996). The right-to-information movement is another example of collective action seeking to address issues of governance and corruption in government anti-poverty and safety net interventions (Box 5).

Box 5 Information and accountability: The Mazdoor Kisan Shakti Sanghatan (MKSS)

The MKSS or Association for the Empowerment of Labourers and Farmers is a grassroots organisation with

¹⁴ For studies on effective decentralisation policies and experiences, see Franke and Chasin (1992) on Kerala, Crook and Manor (1994) on Karnataka.

a small formal membership but a large informal following. Over the past 4 years, it has engaged in exposing corruption and demanding accountability from public administration. Its interest in this area arose from its work on livelihood issues in the late 1980s and early 1990s, where it observed the failure of the state government to enforce minimum wage regulations on drought-relief works, to ensure proper functioning of the PDS and to prevent occupation of government land by powerful local interests. Its work on minimum wages brought to light the role of corruption in the underpayment of wages, as it became clear local authorities were billing the central and state government for full amount. In the PDS, the main problem was diversion of foodgrains and other commodities by ration shop owners to the open market where they sold for higher prices. Workers had observed first hand a variety of other malpractices but had no way of documenting them.

To combat these forms of fraud, the movement had worked on the public's right to information through performing regular audits of public expenditure. It holds public hearings where public accounts are scrutinised and verified in relation to the experiences of the supposed beneficiaries of public funds. Testimonies from local people expose the discrepancy between recorded expenditure and actual benefits. The difficulty of gaining access to local records has prompted the movement to aim simultaneously at getting legislative and regulatory reforms, which would provide a legal basis for local efforts to obtain official records.

Source: Jenkins and Goetz (1999)

In Bangladesh, a DFID-funded review of the role of the 'big NGOs' found that the adoption by many of a service delivery role – mainly financial but also social services – had undermined their ability to demand greater accountability and responsiveness from public sector services (Thornton et al., 2000). It was the few organisations which had retained a focus on the social mobilisation of the poor in pursuit of their rights which showed the greatest willingness to put pressure on the state – and increasingly, on other NGOs – for greater transparency, accountability and responsiveness in the provision of services. In the absence of any incentives within the public sector to observe these principles, it is the collective action of such grass-roots movements that may prove most effective in ensuring access to the public provision of social welfare and social protection. The 'conscientisation' strategies of Proshika and Nijera Kori in Bangladesh are aimed at promoting such collective action (Wood, 1994; Kabeer, 2002). Nijera Kori is the only NGO of any significance in Bangladesh that has eschewed any form of direct provision of services, social or financial, on the grounds this will undermine its effectiveness as an organisation for the poor, building the organisational capacity of the poor to demand their own rights and press for greater accountability (Box 6). Such actions can be seen as ensuring social protection for the poor on terms which respect their dignity and agency. More recently, Nijera Kori has worked with Proshika and a number of other like-minded organisations to form a national federation of landless groups to put pressure on political parties to demonstrate their commitment to pro-poor policies in the coming elections.

Box 6 Collective action and the rights of the poor: Nijera Kori

Nijera Kori has been engaged in the social mobilisation of the landless men and women in rural Bangladesh since 1980. Its activities are concentrated in some of the poorest and most remote areas of the country, where few other NGOs have chosen to operate. It sees the isolation and fragmentation of the poor as the root of their subordination and the continued denial of their basic rights. Nijera Kori seeks to organise them into groups, both at village and at higher levels, to undertake collective action to combat injustice and fight for their rights. It does this by providing its groups with information about their rights and with the capacity to analyse and understand the nature of their subordination.

Nijera Kori started out with a focus on economic rights, such as the right to land and to fair wages, as these related most closely to the priorities of the poor for more secure livelihoods. However, over time its activities have expanded to encompass social rights, making demands on the state to ensure that its delivery of basic social services, such as education, health, cyclone shelters and safety nets, are accountable to the public and responsive to the needs and constraints of the poor. Its activities in the political arena have also expanded and it either fields its own group members as candidates in local elections or else mobilises for candidates that represent pro-poor interests.

While Nijera Kori seeks to ensure that the voices of the poor are heard at the local level where they have succeeded in organising, it also seeks to speak on behalf of the poor at the national and international level, where the organised presence of the poor has been harder to achieve. Through its activities and alliances at the national level, Nijera Kori has been instrumental in obtaining reforms in land legislation to protect the interests of the poor; drawn attention to the violation of human rights and degradation of the environment associated with the rapid expansion of export-oriented shrimp farming; mobilised against the forces of religious intolerance and their attacks on the rights of women and minorities and collaborated with other NGOs in setting up a national organisation of landless people to put pressure on political parties to respect human rights and democratic principles.

Source: Naila Kabeer (2002)

4. Conclusion

This paper has discussed the nature of vulnerability in the South Asian context and sought to draw out key lessons from various attempts to address it. It has focused primarily on the subsidised distribution of essential goods; the generation of self-employment through credit and/or subsidised assets; the generation of wage employment through public works. These are, by and large, the most significant categories of intervention in the South Asian region. This concluding section draws attention to some of the main points that emerge from the paper.

The first point relates to the issue of trade-offs and the challenge it presents for the design of policies for social protection. The concept of trade-offs reflects the need to select alternative choices, a need imposed by the fact of resource scarcity. One set of trade-offs highlighted by the discussion in this paper relates to household livelihood strategies for achieving various goals, including survival, security, status, self-worth and accumulation. While all households face resource constraints on their ability to achieve these alternative goals, poorer households clearly face 'harder' constraints and hence more limited options. Thus, while better-off households may face trade-offs between different kinds of 'goods' e.g. better food or better clothes, poorer households tend to face tradeoffs between different kinds of privations or 'bads', e.g. demeaning forms of work which give some security or forms of work which offer independence but carry greater risks.

Social protection measures can feed into the harshness of these trade-offs by stigmatising the poor. On the one hand, as Sen (1995) points out, any form of protection 'that requires people to be identified as poor and that is seen as a special benefaction for those who cannot fend for themselves would tend to have some effects on their self-respect as well as on the respect accorded to them by others' (p.13). On the other hand, there are forms of protection which can actively mitigate the harshness of these tradeoffs, for instance, by seeking to transform employment on public works programmes from 'special benefaction' into contributions to community assets or into a guaranteed right to livelihood. Organisations which seek to mobilise the poor to voice their demands and fight for their rights can obviously play an important role in ensuring that such a transformation occurs from the bottom-up rather than through bureaucratic fiat.

There are also trade-offs at the policy level between protection and promotion. To some extent, the trade-off may be inevitable. Relief requires generation of employment for the poor and an emphasis on the use of unskilled labour, while development draws attention to the creation of assets and possibly a greater use of materials and skilled labour. Both Ravallion et al. as well as Sen (1995) point out that one basic principle has to be in place if public works are seen primarily as a form of safety net, which is to ensure that wages are set at levels that generate the maximum level of employment compatible with the budget available for public works in any one period: too low and it is unlikely to attract all those who need some form of protection; too high and employment has to be rationed, and may fail to reach those who need it most. However, others have emphasised the idea of safety nets which lend themselves to rapid evolution from relief to development. The emphasis here is on the need to integrate the design of public works into sectoral planning processes, rather than treating them as stand-alone efforts. It may also require that projects are planned in a decentralised fashion so that their design reflects local needs and constraints.

Another version of the policy trade-off between protection and promotion is thrown up by the literature on microfinance. Here the trade-off reflects the need for microfinance organisations to achieve sustainability, and the associated bias towards better-off households who are more likely to repay their loans, and their social protection objectives which require them to reach poorer households. The policy lesson here, as Hulme and Mosley (1996) point out, is to recognise the heterogeneous financial needs of the poor and to design microfinance interventions accordingly,

distinguishing between those that are aimed at the extreme poor and may need to focus on a basic protection function; those which focus on the moderately poor and assist them to smooth out their income and consumption flows, by diversifying their livelihoods and strengthening their asset base; and those which focus on promoting the livelihood strategies of the vulnerable non-poor by investing in their capacity for accumulation and risk-taking.

A second set of points relates to the value of thinking about synergies, complementarities and secondary effects in the design of social protection. While the idea of trade-offs emphasises the distinctness of certain kinds of opportunities and the need to choose between them, the idea of synergies and complementarities draws attention to the need to bring together certain kinds of opportunities rather than having to choose between them. They stem from the fact that certain assets are far more productive when used in combination rather than on their own. Thus Zohir (2001) has pointed to the need to bring about a closer interaction between the provision of microfinance, access to agricultural extension and market channels in the Bangladesh context if the full potential of each of these three resources, currently provided through separate channels, is to be realised.

The idea of secondary effects refers to the wider impacts which particular kinds of safety nets can bring about: using public works programmes to link isolated households to markets or to social services generates employment as well as improving future welfare and opportunities, for instance, the improvements in access to education and commercial opportunities as a result of Food-for-Development programmes in Bangladesh. The willingness of governments and donors to finance safety net programmes is likely to be more forthcoming if these wider developmental effects can be demonstrated.

Thirdly, the importance of improved governance for various aspects of social protection measures is clear from this brief reading of the literature. Poor governance has resulted in leakages away from intended beneficiaries, it has added to the cost of maintaining safety net measures and it has transformed them into resources to be used as means of patronage and revenge by political parties and governments. The result is a perpetuation of pre-existing inequalities. However, it is not clear what incentives there are for those who stand to benefit from poor governance to collaborate in efforts to improve mechanisms for transparency and accountability. Here our analysis points to the importance of efforts 'from below', which provide pressure for such reform. The South Asian context provides a variety of examples of collective action from the bottom-up, which seek to improve the terms of participation in markets and social life for the poor as well as creating the political climate in which examples of corrupt governance can be exposed.

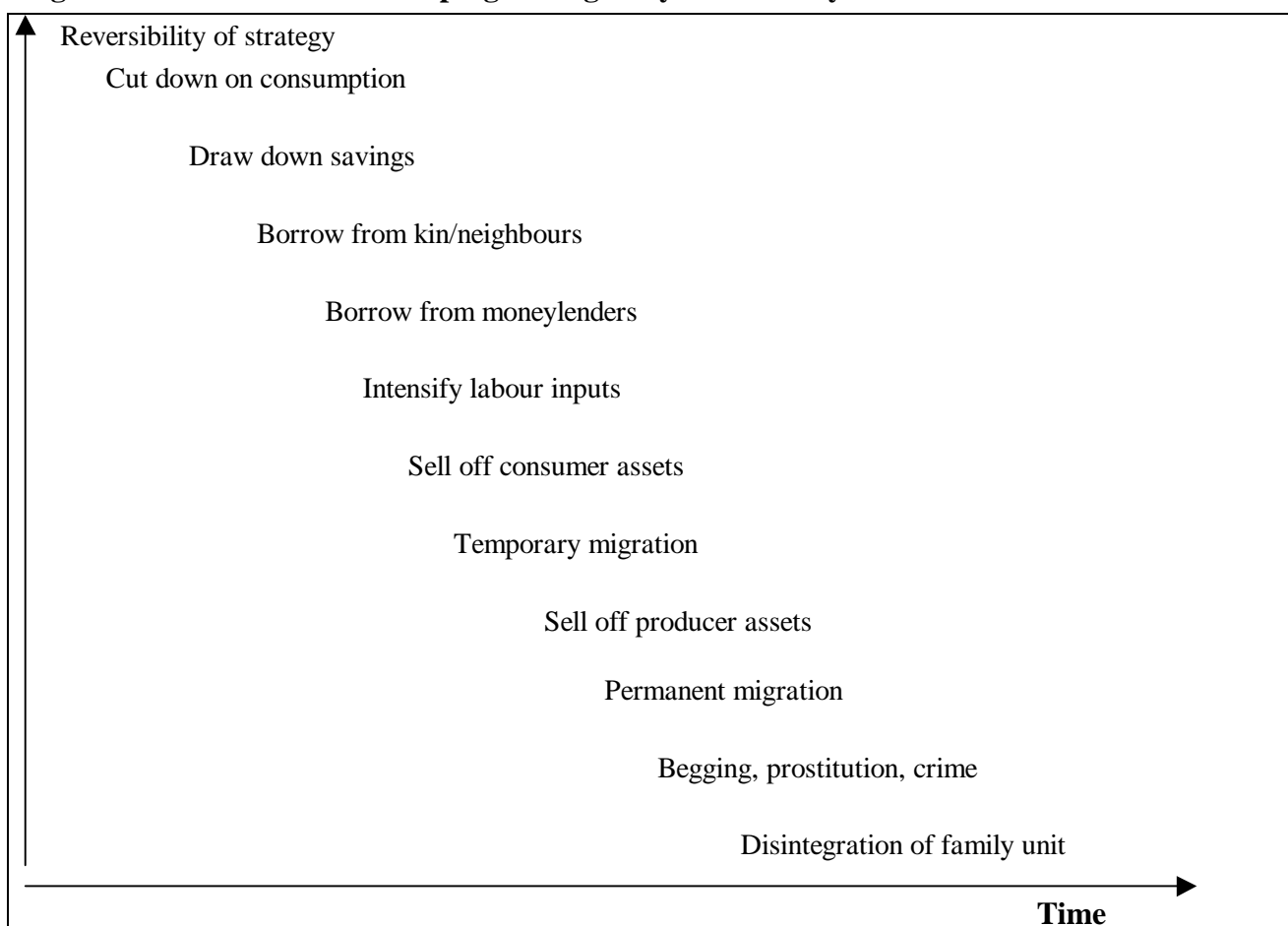
Finally, the paper raises the need to reflect further on the relative role of states and NGOs. There are important roles for NGOs in the context of the developmental effort. They are considered to be less hampered by bureaucratic red tape, less cumbersome and inflexible. They are therefore ideally placed to innovate and experiment, generating lessons that can then be replicated by the government. They may also be better placed to reach the hard-to-reach: the ultra poor, the socially excluded and the physically remote. Indeed, in an earlier paper, we described them as 'compensating for exclusion' by mainstream market and state systems of resource distribution. But they are not accountable to society at large in the way that states ideally are. And despite a rhetoric of accountability to the poor, there is very little that poor people can do to vote out corrupt or inefficient NGOs, particularly if they are linked into local power structures. There is scope for a synergistic partnership between state and civil society organisations which would build on their complementarities and comparative advantages (White and Robinson, 1998; Kabeer and Murthy, 1996, 1999) and address issues of accountability and flexibility. But in the long run, the most effective role that NGOs can play, along with other civil society organisations, is to hold the state accountable to its citizens, particularly the poorest and most disenfranchised.

Appendix 1 Figures and Tables

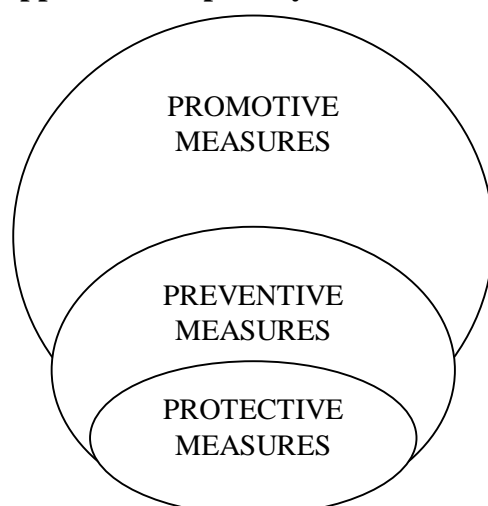
Figure 1 Household livelihood strategies: Goals and means

<p>Immediate needs:</p> <p>Survival and security</p> <p>Meeting basic needs</p> <p>Reducing fluctuations in consumption flows</p> <p>Reducing fluctuations in income flows</p> <p>Enhancing productivity of current assets</p> <p>Expanding, diversifying and strengthening asset base</p> <p>Expanding and diversifying access to institutions</p> <p>Improving terms of access to institutions</p> <p>Longer term goals:</p> <p style="text-align: right;">Self-reliance/accumulation</p>

Figure 2 Gradation of crisis coping strategies by reversibility: An illustrative classification



Source: based on Maxwell and Frankenberg (1992) and Lariviere et al. (1999)

Figure 3 Conceptualising approaches to poverty and vulnerability**Table 1 Public spending on poverty alleviation programmes in 1993–4 in India (centre and states)**

Programme	% of total government expenditure	% of GDP	Share in total spending on anti-poverty programmes %
a) In-kind transfers			
i) Food subsidy	2.44	0.69	49.7
ii) ICDS	0.25	0.07	5.1
iii) Subsidy on controlled clothing	0.01	0.00	0.1
b) Income-generating programmes			
i) IRDP	0.42	0.12	8.6
ii) Wage employment programmes	1.79	0.51	36.5

Source: Radhakrishna et al. (1997)

Table 2 The structure of income poverty

Groups	Rural			Urban		
	Group share in population %	Percent poor in group %	Group share in all poor %	Group share in population %	Percent poor in group %	Group share in all poor %
Self-employed in agriculture	44.3	38.3	37.9	-	-	-
Self-employed in non-agriculture	12.5	39.0	10.8	-	-	-
All self-employed	56.8	38.5	48.7	38.8	40.4	43.0
Agricultural labour	27.1	62.7	37.8	12.0	76.0	25.0
Other labour	8.1	48.7	8.8	43.7	22.8	27.3
Others	7.9	26.4	4.6	5.5	31.2	4.7
All households	100.0	44.9	100.0	100.0	36.5	100.0
Scheduled Castes	18.4	56.1	23.0	11.7	53.3	17.0
Scheduled Tribes	10.5	62.7	14.7	3.8	48.3	5.0
Female-headed		47.0			43.4	

Source: Sen (1996) cited in Ghosh (1998) (using World Bank estimates up to 48th round and own estimate with same methodology for 1993/4)

Table 3 Gains in per capita consumption associated with occupation of household head in rural areas in Bangladesh

Agricultural sector occupation	Gain (%)	Non-agricultural sector occupation	Gain (%)
Owner-farmer	23	Small business and trade	29
Tenant farmer	18	High-level employees: executives, officials, professionals, teachers	24
Work in fisheries, forest and livestock	16	Salespeople, service workers, brokers	22
Agricultural worker with land	11	Factory worker, artisan	20
		Transport and communications workers	19
		Domestic servants, day labourers	11

Note: Gains measured relative to consumption of household heads working as landless agricultural labourers

Source: World Bank, 1998b

Table 4 Central government expenditure, plan and non-plan, on social services (Rs. Crores)

Item	1991–2	1995–6	1998–9 (RE)	1999–2000 (BE)
Social services	5892	11631	20315	22921
Rural development	2283	6609	5571	5416
Total central government expenditure as % of GDP at current market prices	17.2%	14.2%	14.5% (unaudited and provisional)	14.7%
Social services, rural development and basic minimum services as % of total expenditure	7.7%	10.8%	11.6%	11.4%

Note: See also World Bank Table 4.1 for central plan budgetary expenditures on anti-poverty programmes 1990–1 to 1997/8 (p.37)

Table 5 Village targeting of government and NGO programmes in rural areas in Bangladesh, 1995–6

Village type	Share of government programmes by village type			Share of NGO programmes by village type		
	Food for Work	Vulnerable Group Development	Food for Education	Grameen Bank	BRAC	Others
Poor (50)	53	64	50	49	52	57
Non-poor (50)	47	36	50	51	48	43

Note: Villages with mean per capita below the median for all villages are considered poor, while villages with mean per capita consumption above the median are considered non-poor. Hence there are as many poor as non-poor villages. This definition is a matter of convenience; another definition would not affect the results in terms of targeting.

Source: World Bank 1998b

Table 6 Cost per rupee of income transferred by various programmes (1988–90)

Programme	Total cost (Rupees)
PDS	5.37
JRY	4.35
MEGS	3.10
ICDS	1.80

Source: World Bank, 1998a

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