Evaluation Study

on

District Poverty Initiatives Project in Madhya Pradesh

Summary

Independent evaluation of the past poverty alleviation schemes has shown that intended benefits did not adequately reach the target groups because of a number of weaknesses in design and implementation. Generally, the development schemes have been formulated and implemented in a top-down and target oriented manner, while the poor have been the passive recipients of benefits (see PEO Studies on *MSY, 1996; EAS, 2000; KVIC, 2001; TPDS, 2005)*. Diagnostic analyses in these evaluation studies revealed that successes of development interventions largely depended on active and meaningful participation of the people and their institutions in decision making.

Because of such lessons from experience, the last decade has seen a number of development initiatives with varied thrust on community participation and empowerment, decentralized decision-making, transparency and an active role of the PRIs in their planning and execution. The district poverty initiatives project (DPIP) being implemented in the States of Andhra Pradesh, Madhya Pradesh and Rajasthan is a poverty alleviation program designed to empower people for self development so that the poor create and manage their own development opportunities. The DPIP targets socially and economically disadvantaged groups, particularly:

- the SC/ST households;
- households migrating out for wage employment;
- households without proper shelters/ dwellings;
- women and women headed households;

The Project

The Madhya Pradesh District Poverty Initiatives Project (MPDPIP) was launched in March 2001 in 2932 villages, spread over 53 blocks of 14 districts of the State to **improve the economic wellbeing of the poor**. The project is scheduled to be completed in June 2006. The strategies of DPIP are different

from those being used in other rural poverty alleviation schemes (e.g. SGRY, SGSY), which also provide for people's participation and decentralized decision-making. The **strategies proposed** to be used in the implementation of DPIP include:

- sensitization of people about economic opportunities and fostering group formation (CIGs) on the basis of common problems and interest;

- making funds available with the CIGs and ensuring that the group investments are **demand driven**;

- formation of **Project Facilitation Teams** (PFTs) for a cluster of 25-30 villages to guide the villagers for self-development and providing them with the support mechanism like, technical skill, credit, extension and other services by linking the CIGs with service providers;

- developing a sense of **ownership** and a **culture of local financing**, **cost recovery** and **user charges** by motivating the beneficiaries to contribute to CIG fund and *Gram-Kosh* (maintenance fund);

- encouraging participatory functioning by monitoring local decision-making processes to **ensure proper use of funds**;

- involving the PRIs at the district and village levels for **budgeting** and **monitoring**; and

- ensuring **transparency** through information sharing, analysis of successes/failures and **peer review** at all levels.

Institutional Structure for Implementation

The DPIP has a decentralized institutional structure with key decision making and implementation responsibility.

- At village level**,** the villagers are motivated (by the PFTs) to **participate** in a wealth ranking process for identification of the target households and then **facilitated** to form **CIGs–**each with at least 5 members. The **CIGs** are required to identify and execute all investment activities. The project fund (Rs.20,000 x No. of Members) is placed directly in their bank accounts.

  A **Village Development Committee** (VDC) constituted with members drawn from the CIGs and the village *panchayat* is entrusted with the task of approving/ vetting the sub-projects proposed by CIGs and forwarding the

approved projects to PFT for funding. The VDC is also required to monitor the use of funds under *Gram Kosh* for sustaining the development efforts of DPIP in future. Thirty per cent of the **village family budget** (i.e. sum of all individual CIG funds in a village) is earmarked under DPIP for **community infrastructure development** (limited to a maximum of Rs.12 lacs). It was envisaged that VDC would operate this village infrastructure fund. Proper functioning of VDCs is thus critical to the success of DPIP.

- At the cluster level, the **PFT** consisting of one coordinator and three members (experts in areas, like, horticulture, hydrology and agriculture/RD) is required to conduct the village surveys with the help of local knowledgeable persons for **wealth ranking**, identification of the **target families** and for **fostering group formation** (CIG) on the basis of common economic interest. The PFT also helps the CIGs in sub-project preparation for funding under DPIP. About 90% of the PFTs are formed with officers drawn from various **government departments,** while only around 10% are run by NGOs.

- At district level**,** there is a **District Project** (Support) **Unit** (DPU) under the District Project Manager (DPM). The unit is to be constituted by drawing expertise in gender, monitoring, communication, capacity building and accounting from **various government departments**. The DPU is to ensure smooth flow of funds to CIGs and build their capacity through PFTs.

  The **Zila Panchayat District Poverty Initiatives Sub-Committee** (ZPSC), headed by *Zila Adhyakash* is a committee of public representatives, CEO (ZP) and representatives of PFTs, CIG members, NGOs and village PRIs is responsible for **monitoring** at the district level, **allocative processes** and **use of DPIP funds** . The DPM acts as the Member Secretary to ZPSC.

- At the State level, **an apex society**, the **Madhya Pradesh Society for Poverty Alleviation Initiatives** (MPSPAI), under the Chairmanship of the Chief Minister, with the Minister (RD &PR) as vice Chairperson and the Chief Secretary, other State Secretaries and eminent individuals as members is responsible for overall guidance and periodic review of the project. The administrative arm of the State level society is the **State Project Unit** (SPU) headed by the project coordinator, a senior government officer.

Financing DPIP

The requirement of funds for the five-year duration of the project was estimated at around Rs. 600 crore. The sources of funds are as under:

Sl. No.	Sources	Amount (Rs. Crore)	Share (%)
1.	Madhya Pradesh Government	41.85	6.90
2.	IDA	495.45	81.74
3.	Local Communities	22.50	3.71
4.	Sub-Total	559.80	92.35
5.	Apna Kosh (Village fund)	46.35	7.65
	Total	**606.15**	**100.00**

The Evaluation Study

At the instance of the Government of Madhya Pradesh and Planning Commission (GOI), PEO undertook the evaluation of MPDPIP to assess:

- whether the **institutional structure** and **implementation mechanism** adopted were effective in meeting the objectives of the project;

- **physical and financial performance** in terms of coverage of target groups, CIG formation, types of sub-projects taken up by CIGs, the functionality and economics of the assisted CIGs and utilization of funds; and

- the **impact** on the beneficiaries in terms of changes in households income and expenditure, agricultural production/productivity, employment opportunities and seasonal migration.

In addition to these broad objectives, the evaluation study was designed to reflect on a number of other issues, such as: the **socio-economic profile** of the beneficiaries, the type of **community infrastructure projects** undertaken and their **utilization**. The factors contributing to success/failure of sub-projects are proposed to be identified through **diagnostic analyses.** Since the strategies, design and institutional mechanism for implementation of DPIP were innovative and different from those being adopted in other rural poverty alleviation schemes, an attempt is made to document the **lessons learned**.

Methodology

To meet the above objectives and to test the related hypotheses, both secondary and primary data on a number of project parameters were required. The aggregate level secondary data-base on the processes was generated through structured questionnaires canvassed at the State and (selected) district levels. Detailed discussions with the concerned officers at various nodes of the implementing machinery were held to understand the planning and implementation processes and also to seek clarifications on the queries arising out of the field observations.

The primary data base for the study was generated through a sample survey of 192 beneficiaries in 96 CIGs, spread over 24 villages in 8 clusters (PFTs) of 4 districts. The four districts were selected purposively to give representation to different regions (Baghel Khand, Bundel Khand and West Malwa) and to geographical concentration of the project area. At sub-district levels (PFTs, Villages, CIGs, Beneficiaries) the sample units were selected using a **stratified random sampling framework**. **Eight instruments** of observations were designed and canvassed to the selected sample units at different levels. The village, CIG and beneficiary level questionnaires were designed to elicit information on the target population, beneficiary selection process, costs/earnings from different types of activities, physical and financial performance of different types of activities, the profile of CIGs and their activities, flow of funds, earnings and qualitative data on various other parameters. The sample survey was conducted during July–October, 2004.

The evaluation methodology adopted for impact assessment relates primarily to **before**–and–**after** method. However, 8 control villages–one for each selected cluster, were also selected to study some aspects of the impact in a **with**–and–**without** framework**.**

Main Findings

Implementation related

- Even though the institutional structure for implementation provided for **ZPSC** at the district level and **VDC** at village level, these committees were not constituted in the sample districts and villages. This implies that the representatives of PRIs were not formally involved in the implementation of the project.

- Notwithstanding the above, the process of **wealth ranking** and **identification of beneficiary households** was meticulous and was done in the full *Gram Sabha* meetings under the supervision and guidance of PFTs.

- The formation of CIGs was however, not done on any rational basis. Analysis of sample data reveals that 25% of CIGs were formed by the members of same families, 49% by close relatives and only 26% by members not related.

- It was found that the benefits of DPIP did not reach the **assetless poor families** to the desired extent, while as per the guidelines, these families should have received priority over others. Their coverage was only 33%. The very poor households often could not pay their **mandatory contributions and select activities of common interest.**

- On the other hand, the **not-so-poor households** who could pay for the mandatory contributions (some CIGs paid more than 5% as mandatory contributions) were allowed to form CIGs with family members or near relatives. The active involvement of the VDC (not constituted) could have prevented it. Some CIGs in *Guna* district have even distributed the divisible assets and activities according to the convenience/requirements of their individual members–diluting the very objective of formation of CIGs.

- DPIP has not been able to mobilize rural women to form CIGs to the desired extent. As **against a target of 50%, only 20% of the randomly selected CIGs** were found to be women CIGs. Thus, the objective of empowerment of rural women, as originally envisaged, did not receive due consideration in implementation.

- Though the expenditure on Monitoring and Learning during the first three years amounted to Rs. 1.31 crore, the activities of CIGs and their viability were not monitored to learn lessons from experience. The **system in vogue is not purposeful** and appears no different from the routine monitoring system of other departmental projects/ programs. Also, there is not much evidence to conclude that the feedback from monitoring was analysed for **problem solving** and **follow-up action**.

Performance*–coverage & utilization of funds*

- At the aggregate level, the project has covered around 31% of the target families in the first three years. In sample villages, about 38% of the identified families have been covered.

- The physical performance, measured in terms of **percentage coverage** of **the targeted families** varies across districts and clusters. The achievement is the highest in Shajapur (52%), followed by Guna (42%), Narsinghpur (36%) and Sidhi (23%). Similarly, it varied from a high of 53% in Raghogarh-I cluster in Guna to a low of 14% in Chichli-I in Narsinghpur.

- The factors responsible for the observed spatial variations in performance are:

  - inaccessibility of villages, resulting in **inadequate interactions** between the identified families and PFTs.;

  - inability of the identified families to find suitable activities and make the mandatory contribution, especially in **tribal areas**;

  - **differential** supply side **initiatives** taken by the implementing agencies across PFTs and districts; and

  - the progress of community infrastructure projects, with which many CIG activities have a complementary relationship, was uneven across villages and clusters primarily because of non-existence of VDCs. About 27% of the village infrastructure fund was spent in only 12 villages (i.e. 50% of the sample), with the range of variation from 10% to 100% (in 2 villages only). In the remaining sample villages, there was no spending from the **fund.**

- In the first 3 years (as on March 31, 2004), only 17.41 % of the total outlay (Rs. 105.52 crore out of Rs. 606.15 crore) had been used. Around 26.5% of the expenditure in the first three years (2001-04) was on **administration, organizational capacity building** and **monitoring/learning.** Low utilization can be explained by:

  - unusually long time taken in identification of poor families and CIG formation;

  - for a number of the operational CIGs only the first installment of the committed outlay has been released; and

  - delays in sub-project approval because the VDCs, which were to approve them, were not constituted in the identified villages.

- The unsatisfactory physical performance during the first 3 years can be attributed to: inadequate supply side initiative, untrained and demotivated PFT staff and absence of VDCs. It is now a foregone conclusion that the MPDPIP has to be given **an extension beyond the originally stipulated period**, which will escalate the cost of administering the project. This can make the **project as a whole unviable**, even though many individual sub-projects are viable.

- The poverty situation in eight control villages selected for studying some aspects of the impact of DPIP in a with-and-without framework was as bad as covered villages. It is not clear as why these villages were not covered under DPIP. More objective criteria for selection of villages are required.

Sub-Projects–*type & functionality*

The sub-projects undertaken by the selected CIGs can be broadly divided into two categories, viz: (a) **Land-based** activities and (b) other **income generating** activities.

- Land-based (LB) activities include: renovation of wells, land leveling, bunding and construction of new wells. Income generating (IG) activities include: trading, goat-rearing, poultry, dairy, band parties, bullock/bullock carts, threshers and others;

- Thirty nine (39) per cent of the selected CIGs undertook land-based activities and 61% other income generating (IG) activities. Flow of funds to LB activities constituted about 44% and that to IG activities, 56%.

- Among the selected LB activities, 84% were found to be fully functional, while the remaining are partially functional. “Partially functional” means that the initially chosen activities are getting modified due to bottlenecks in implementation. The proportion of fully functional LB activities is 95% among the **CIGs formed by members of same family**.

- Among the selected IG activities 88% are fully functional. However, in most of the IG activities, **informal division of assets** has taken place and the CIGs exist only on paper.

- It is, however, noted that the contribution by CIGs to the fund exceeded the mandatory requirement of 5% in both types of activities. In the case LB activities it is around 10%, while for IG activities it works out to 6%. Two factors seem to be responsible for the mandatory contribution being above

its normative requirement. First, the beneficiaries are aware that by contributing a very small amount to the CIG Fund they can get several times their contribution from the government **without any obligation to pay back.** Second, the time gap between sub-project formulation and implementation could have led to some **cost escalation**, which was borne by the CIG members.

Economics of Sub-projects *–factors causing success & failure*

An attempt has been made in the study to work out the viability of each activity undertaken by the 96 sample CIGs. The criterion used is the difference between the **present value** (PV) of outflows (costs) and inflows (revenue) with 8% discount factor for a project life span of ten years. It has been assumed that benefits from sub-projects will flow for ten years with suitable maintenance and promotion of (complementary) community infrastructure projects alongside the sub-projects. If the net present value (NPV) is positive for an activity, it is termed viable. The findings of this exercise are summarized below:-

- Only 50% of the CIG activities under DPIP were found viable according to the NPV criterion. About 43% of the LB activities are viable, while in the case of IG activities, it is 54%.

- The viability of LB activities is less sensitive to the Discount Rate than that of IG activities. Thus, at 12% discount rate, more than 40% LB activities are viable as against only 30% IG activities. At 15% Discount Rate, the viability rate goes down to 35% for LB and to 24% for IG activities.

  This sensitivity analysis tends to suggest that some sub-projects of DPIP can **generate adequate income for repayment** (full/partial) of the investment cost, should these be bank financed. In other words, through suitable modification of **selection criteria** of DPIP, some activities undertaken by land-owning households can be brought under bank financing with token subsidy, if required.

- Among the LB activities, **construction of wells with diesel pumps,** has shown the highest success rate (56%), followed by deepening (50%) and renovation of wells (33%). **Stand–alone** land leveling and bunding **activities were not found viable**. Thus, minor irrigation, which led to an increase in gross cropped area, crop intensity and a favourable crop pattern has generally been a very successful activity under DPIP.

- Among the IG activities, tailoring and (petty) trading have **shown the highest success rate** (80%), followed by Band Parties (60%), goat-rearing (37%), dairy (36%) and bullock/carts (25%).

- Services like threshing, centering, material mixing in construction activities, tubewell boring, erection of tents for ceremonies, blacksmithing, milling of flours, brick kiln and repairing of electronic goods have shown **the highest success rates** (nearly 100%). However, it may be emphasized that all these activities are the dominant member-driven activities where the **remaining CIG members are paid workers**. The profit accruing to such activities goes to the dominant (owner) CIG member who is, *de facto*, the owner.

- The factors contributing to **success** are: **dominant member driven activities** (services), **family based CIGs**, and **irrigation projects**.

- The factors contributing **to failure** are: land based activities that do not constitute a **complete package** to improve agricultural productivity, **inadequate (no) use of support/ technical services** by CIGs in selection of sub-projects, disintegration of CIGs through **division of assets** (like goats, buffaloes, poultry birds), **lack of capacity of CIGs** to maintain and manage some activities and **lack of meaningful monitoring** of CIG activities.

- It may be mentioned that economic **viability of individual CIGs does not necessarily imply the viability of the DPIP** as a whole. If the cost of administration and establishment, which was Rs. 28.00 crore (i.e. 26.5% of the project cost in the first three years) is considered an item of cost it will raise the financial outflows without any addition to inflows. A rudimentary analysis based on current trends of financial flows tends to suggest that the **Internal Rate of Return (IRR) for the DPIP in Madhya Pradesh would be negative** if expenses on project staff, HRD, monitoring and organizational strengthening are considered a part of the project cost.

Impact–*income, expenditure, agriculture, employment and migration*

- The beneficiary household income on an average grew by 29.3% in nominal terms because of DPIP. In real terms, this increase would be around 23.6%.

- The average household income (nominal) rose by 26.6% in LB activities and 31.3% in IG activities.

- The average household expenditure, too, rose by 28.6% for DPIP beneficiaries. It increased by 26.1% and 29.9% for the beneficiary households of LB activities and IG activities respectively. Expenditure on food items grew by about 13%, that on **education by more than 60%** and on **others by more than 80%,** while the household expenditure on **health care declined by around 13%.**

- DPIP also helped **reduce out-migration of wage labourers significantly**. About 31.5% of the people in DPIP villages used to migrate (seasonally) to other areas for wage employment before the implementation of DPIP. Post project, this migration has come down to around 10% in the selected districts.

- Seasonal migration in Shajapur (43%) and Guna (48%) was very high before DPIP. In these two districts bordering Rajasthan, migration has come down significantly and in the post project scenario, it is 13% in Shajapur and 9% in Guna. In some sample villages where the pre-project migration rate used to be around 90%, it is nearly non-existent in the post–project situation. In the control villages, on the other hand, the seasonal migration continues to be high, with the range of variation from 29% in Dighori Village (Narsinghpur) to 70% in Vijaypur (Sidhi). The **reduction in seasonal migration can be largely attributed to DPIP** as a high degree of correlation between DPIP activities and reduction in migration was observed all across the sample villages and districts.

- Because of promotion of LB activities through DPIP, there has been a rise in agricultural activities in project areas through an increase in **cultivable area**, **gross cropped area** (GCA), **irrigated area** and a **change in crop pattern**. The GCA has risen by 13% in Guna, 7% in Shajapur, 5% in Narsighpur and Sidhi. **Rabi crop area has risen-from 31% of GCA to 69%**. Irrigated area has risen by 66% in Guna, 30% in Shajapur and 17% in Sidhi and 5% in Narsighpur. Wheat crop area has gone up by 272% in the sample villages. Area under coriander has also gone up by 110% and Gram by 41 per cent. Area under *barley*, however, decreased by 60%.

- The value of yield/hectare has risen by 27% in Shajapur, 24% Guna, 15%, in Sidhi and Narsighpur in just one and a half year.

- Employment per hectare has also increased in the project area. It rose by 28% in Guna, 21% in Shajapur, 14% in Sidhi and 12% in Narsinghpur.

- The impact of promotion of land based sub-projects on **agricultural activities**, f**arm income, employment** and **migration** has thus been significant due to DPIP intervention.

Lessons & Suggestion

1. The Concept of CIG as an integral element of the strategy adopted in DPIP is not workable for most of the activities undertaken. In the LB activities, the beneficiaries had to form CIGs with family members and near relatives more as a ritual than for any useful purpose. In many IG activities too, the concept of CIG is not a workable proposition as money and assets were actually divided among members of CIGs –making the CIG concept redundant.

   Thus, if the emphasis was on poverty alleviation, the strategy of implementation should have been devised based on the grassroots realities. On the other hand, if the objective was to propagate the concept of CIG as a strategy for poverty alleviation intervention, care should have been taken to identify only those activities, which exhibit natural complementarities of functions (e.g. Band Parties, Blanket Weaving, Centering materials in construction activities) that can be performed by different CIG members to produce output/outcome.

2. The wealth ranking of households through a participatory process for identification of the poor adopted in MPDPIP seems to be a good method of screening the non-poor out of a poverty alleviation of scheme. The institutional mechanism at the district/sub-district level as **originally envisaged** for implementation of DPIP is also appropriate for such a scheme. This is a transferable lesson and should be seriously considered for adoption in development schemes targeting the poor. Much of the **errors of Exclusion and Inclusion** and the consequent **leakages of benefits** and **welfare losses** that take place in targeted schemes (see TPDS Evaluation, Study No. 189, PEO; 2005) can certainly be minimized.

3. The Committees of the PRIs at the village and district level, which were to undertake the tasks of allocation of funds, approval of sub-projects of CIGs, undertaking community infrastructure projects and monitoring were **actually not constituted**, and hence they did not play any role in the implementation of DPIP. In effect, though well designed, DPIP became **another departmental project.** The DPSUs, which are the primary control units of DPIP, are manned by **government servants**. The Project Coordinator of the SPU who is the overall in-charge of DPIP is a

senior government officer. The PFTs are also generally run departmentally, with only 10% of PFTs being run by NGOs. The implementation of DPIP clearly shows how a **well designed development intervention got degenerated** into a typical Departmental Project for not adhering to the **institutional arrangement** (as originally envisaged).

4. The lack of involvement of the PRIs has led to weakening of guards against **transparency and accountability** in the use of DPIP funds. The absence of VDCs led to non-adherence to the principles of CIG formation, sub-project selection, formulation and implementation (monitoring) and to low utilization of community infrastructure fund. Similarly, the absence of ZPSC, which was to oversee the budgetary allocation, activities of PFTs and VDCs has also weakened the monitoring and review activities of DPIP. The fall out of their absence has been the **disintegration of many CIGs**, absence of capacity building at PFT and CIG levels, **misappropriation of money at the CIG level** and **unjustifiable expenditures** on official monitoring/learning. PEO field teams found that the accounts of many CIGs are in total disarray. All this tends to suggest that an **independent monitoring** and **accountability system** must be put in place to prevent misuse of public funds and to ensure realization of intended goals.

5. While at the planning stage the complementarity between CIG activities and community infrastructure was kept in view, the actual implementation of community infrastructure project was sluggish because of absence of VDCs, which were entrusted with the task of operating the Community Infrastructure Fund. This aspect may have a bearing on the **sustainability** of some sub-projects like minor **irrigation** (without water harvesting) and **dairy** (without link roads).

6. The implementation of MPDPIP has failed to keep pace with the physical and financial targets set at the planning stage. This time over-run has serious implications for the viability of the project as it has raised the **share of administrative and organization costs** on the one hand and will lead to an **increase** in the **duration of the project (beyond five years)** on the other. Both high administrative cost and slow progress are primarily due to **departmentalization of DPIP.** The implementation delays arising out of limited organizational capacity can be avoided by delegating the responsibility of implementation to the NGOs and by constituting the ZPSCs and VDCs at the earliest.

7. The poorest of poor did not directly benefit from DPIP to the desired extent as they could not be motivated to form CIGs and contribute members' share to the CIG fund. Since the beneficiaries of DPIP have received **non-refundable funds** from the Government, this group must be brought within the purview of the project, perhaps, by **exempting** them from the mandatory contribution (5%), through **capacity building** for self development and by exploring the possibility of forming CIGs of the (resource) poor for conservation and regulated use of **common property resources.**

   The other areas of activities for such CIGs could be renovation of abandoned/ unused water bodies for irrigation and development of water sheds in villages, which should be initiated and managed by the PRIs. Initiation of such activities that are designed to convert dead/unused assets into capital however, presupposes the existence well defined property rights and transaction rules (a la de Soto). To enhance the resources-base for such innovative schemes, the DPIP resources can be supplemented by that from "SGRY, SGSY and other rural development programs" through convergence at the PRI/VDC level.

8. Finally, the sub-optimal performance notwithstanding, the MPDPIP model holds **potential** in rural poverty alleviation. In addition to addressing the institutional weaknesses referred to above, there is need to put to practice the lessons learned from the Bangladesh's *Grameen* Bank model, which, too, did not yield the desired results for a number of years initially. As in the case of *Grameen* Bank, the success of DPIP too, hinges critically on the **capacity** and **dynamism** of the poor to change their life situations by taking advantage of the existing opportunities for change and by overcoming the constraints in the process of self-development. For this, the animators/ facilitators i.e. the PFTs, will have to be a motivated lot, like the staff of the *Grameen* Bank, to undertake the massive capacity building exercise for the poor. The PFTs then will have to be **manned by highly motivated** (incentivised) and **trained** (say, graduates in rural development/ management) **personnel** and should have the necessary decision making authority. It is difficult for the government organizations/ servants to discharge this responsibility. Giving this responsibility to NGOs with adequate safeguards against misuse and mis-appropriation would be appropriate.

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