Mobilizing Rural Institutions for
Sustainable Livelihoods and Equitable Development
CASE STUDY - RURAL INSTITUTIONS IN ORISSA (INDIA)

Draft Report

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Acronyms used in this Report

BJD: Biju Janta Dal – Regional Political Party in Orissa
BPL: Below Poverty Line
EAS: Employment Assurance Scheme
GoI: Government of India
GP: Gram Panchayat
GSDP: Gross State Domestic Product
HDI: Human Development Index
HYV: High Yield Variety
IRDP: Integrated Rural Development Programme
JGSY: Jawahar Gram Samridhi Yojana
JRY: Jawahar Rozgar Yojana
KBK: Koraput, Bolangir and Kalahandi districts of Orissa
NFBS: National Family Benefit Scheme
NMBS: National Maternity Benefit Scheme
NOAPS: National Old Age Pension Scheme
NREP: National Rural Employment Programme
NSAP: National Social Assistance Programme
PP: Pani Panchayat or Water Users Association
PRI: Panchayati Raj Institutions
PTF: Poverty Task Force
PTG: Primitive Tribal Group
RLEGP: Rural Landless Employment Guarantee Programme
SC: Scheduled Caste
SGRY: Sampoorna Gramin Rozgar Yojana
SGSY: Swarnjayanti Gram Swarozgar Yojana
SHG: Self Help Groups
SSI: Small Scale Industries
ST: Scheduled Tribe
TMT: Trillion Metric Tons
TPDS: Targeted Public Distribution System
UDPS: Universal Public Distribution System
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1. Mobilizing Rural Institutions Study

Mobilizing Rural Institution study examines the functioning of rural institutions and attempts to capture process of interaction among institutions to identify factors that can improve policy and program outcomes. It reviews institutions and social inclusion, specifically to identify potential of convergence with the formal local governance structure that can be effectively used for improving service delivery and poverty reduction, a critical input for Orissa Social Development TA. It simultaneously aims to explore on the larger debate surrounding rural institutions “whether multiplicity of institutions aids better governance and pro-poor outcomes”.

The Mobilizing Rural Institution Case Study for India is based on field research in Orissa where Gram Panchayats, Pani Panchayats and Self-Help Groups were selected as focal institutions representing three different institutional service domains. These institutions were selected due to their prevalence across rural Orissa as well as the fact that each has a different ‘problem purpose’ (local governance, user groups – service delivery and resource based – and common interest groups), mandate, and governance structure. The field research was undertaken at two locations, with different socio-economic and ecological context; Bhadrak and Kalahandi (two provinces / districts of Orissa), with an objective to capture the difference in processes of interaction between rural institutions in different context. Two Gram Panchayats (GPs) were selected in each district on the criterion that each GP should have the three focal institutions covered besides presence of other formal and informal rural institutions.

The study uses participatory research techniques, particularly focus group discussion, wealth grouping and mapping exercise in attempt to explore institutional governance and inclusion, and to map institutional linkages. Structure household questionnaires were used to find members perception regarding institutional functioning and effectiveness, while exploring multiple membership and leadership pattern among rural institutions.

2. Summary of Key Findings

The institutional case study provides evidence that number of rural institutions operate in rural areas and provide useful livelihood and service delivery functions. Majority of the institutions have been promoted by Government and are relatively new. Most of these institutions lack sufficient institutional capacity to meet wide ranging demands from members. The main reason for this being poor investment by concerned department and government in strengthening and enhancing capacity. They heavily depend on government for resources and have not been very effective in mobilizing own resources.

Most of these institutions have institutional linkages with other institutions operating at the village level. Institutional linkage with Gram Panchayat was found to be common with varying degree of intensity. However, most of these institutions even in cases where the functions have been devolved to Gram Panchayat, the institutions functions relatively independent and are not controlled by Gram Panchayat. The influence of local political party institution seems to be the strongest and affects governance and functioning of these institutions.

The membership and leadership pattern in rural institutions shows indication that well off and influential are better represented than poor and poorest of the poor. SHGs seem to have relatively better equity in livelihood outcomes and are relatively less affected by the influence of local party affiliation.

The study indicates a strong need for improving institutional capacity for improving functioning and outcome of these rural institutions. Attempts to convergence with Gram Panchayat have been met with limited results primarily due to lack of suitable action in implementing the policy on devolution of powers.
3. Growth and Poverty in India

India has made great development progress in the last two decades. India was one of the poorest countries in the world at the time of independence. The economic growth which was about 0% in 1950 increased beyond 5.5% since 1980 and is about 8.4% in 2007 puts India among the top ten growing economies in the world\(^1\). Economic growth has been complemented by steady progress in Human Development Goals reflected in improvement of country’s HDI from 0.41 in 1975 to 0.57 in 1999. Maintaining electoral democracy and pushing for rural democratic government; increase in life expectancy, literacy, health and living conditions; food security; and improvement in other economic parameters such as fiscal deficit, balance of payment, foreign exchange reserves and exports are some of the other key achievements.

In spite of such growth and development, poverty in India is still rampant with an estimated 238 million (2005) people below the national poverty line of which approximately 71 percent of them are in rural areas. The Indian poverty line is defined by Planning Commission on the basis of minimum level of calories intake and persons unable to receive 2400 calories in rural areas and 2100 calories in urban areas are categorized to be below poverty line. Impressive progress have been made over the years in reducing poverty from more than 50 percent in 1978 to about 21.8 percent in 2005.

As per the latest estimates, one in every five is poor in India, which is about a quarter of world’s total poor. The international poverty line with less than a dollar a day income (Bank) would increase the number of poor in India to about 350 million. The trend in reduction of poor indicates that India would be able to achieve its country target for MDG.1 by 2015\(^2\). However, the development targets as set by the Planning Commission in 10th Five Year Plan (2002-07) for the next two plan periods (2002-07, 2007-12) are more ambitious and challenging and aims at reduction of poverty ratio by 5 percentage points by 2007 (achieved) and 15 percentage points by 2012.

Increasing differences among developed and under developed states is one among the major challenges for poverty reduction efforts; with substantial number of poor being concentrated in less developed eastern and northern states with high scheduled caste and scheduled tribe concentration. Ironically some of these states are rich in mineral resources and have major share in mineral exports. Similarly, the difference in concentration of poor in urban and rural areas persists though have been bridged to a certain extent. More than 75 percent of the total poor are in rural villages, depending heavily on primary sector such as agriculture and allied activities (forestry and livestock) and majority among them are small and marginal farmers. Similarly significant proportion of poor belongs to lower social groups who have been traditionally marginalized. Gender based inequality also continues across caste and economic class leading to deprivation and vulnerabilities among women. Significant challenges continue to exist for the country to achieve complete eradication of poverty.

4. Poverty Reduction and Rural Development in India

Five Year Plans has been the main planning instrument of Government of India for achieving national development and poverty reduction since independence. The initial plans focused on “growth with social justice” and massive public investments were made for industrialization of the nation that could provide employment to millions. Economic shocks and famine and drought in many parts of the country in 1960s indicated national food insecurity and agriculture development and expansion was adopted as principal objectives in subsequent plans. However,

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\(^1\) Fourth largest economy in terms of Purchasing Power Parity (PPP) terms

\(^2\) The proportion of people below the poverty line is to be reduced from nearly 37.5% in 1990 to about 18.75% by 2015.
economic growth did not lead to desired poverty reduction and targeted poverty reduction programme were shaped from Fifth Plan onwards (1974-79). Between 1980 and 1990 several poverty reduction programme were launched in India to provide self-employment and wage employment opportunities; and improve food and social security of rural poor.

Self-employment Programme: Self-employment programme was initiated by government in 1970s through Integrated Rural Development Programme (IRDP) to increase the source of income of small farmers and landless laborers. The beneficiaries were given subsidized credit, training, and infrastructure, so that they could find new sources of earning in vocations other than cultivating land. In the 1980s, this scheme was extended to schedule castes and tribes, women and rural artisans. One of the shortfalls of the programme was difficulty in getting credit from bank because of poor credit worthiness of marginal farmer and landless laborer besides non-viability of enterprise. IRDP programme was replaced by Swarnjayanti Gram Swarozgar Yojana (SGSY) in 1999, which involves organizing poor into self-help groups (SHGs) and provide these groups with credit-cum-subsidy besides technology, infrastructure and training for undertaking income generating activities. Till 2005, approximately 67 billion rupees has been allocated to SGSY reaching to about 5.1 million beneficiaries, which is about 10 percent of rural poor households.

Wage Employment Programme: National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) were launched in Sixth and Seventh Plan respectively and were later merged as Jawahar Rozgar Yojana (JRY) in 1989. The main purpose of these wage employment programme was to provide livelihood during the lean agricultural season through improvement of village infrastructure such as deepening of ponds, constructing village schools and improving rural roads. Thus the programme not only provided employment to the villagers but also improve village infrastructure. The JRY programme was revised and re-launched as Jawahar Gram Samridhi Yojana (JGSY) in 1999 with reversed priority of creating economic infrastructure for the village and create employment opportunities in the process. A special wage employment programme, Employment Assurance Scheme (EAS) was launched in 1993 for the drought prone, desert, tribal and hill area blocks in the country, which was later expanded to all the blocks. The Food for Work Programme was started as part of EAS in eight drought prone States in 2000-01 where part of the wage was provided in the form of food grains. These wage employment programme were merged into one single programme, Sampoorna Gramin Rozgar Yojana (SGRY) in 2001 with objectives of employment generation for the poor, creation of community assets and infrastructure, and ensuring food and nutrition security.

Food security programme: The Universal Public Distribution System (UPDS) was launched with an objective to utilize food grains procured through farmers at support price and to provide food subsidy to the consumers through food grain distribution. This became a major poverty alleviation programme in 90s when food insecurity and poor nutrition became major challenge for the government to address. The government initiated targeted public distribution system (TPDS) in 1997 to support BPL households through highly subsidized food grain distribution. With a network of about 0.4 million fair price shops that distributes commodities worth more than 150 billion rupees to about 160 million households, the TPDS is probably the largest network of its kind in the world.

Social Security Programme: Social security programme was launched in 1995 to provide social security to those facing destitutions and desertion, particularly under BPL. The National Social Assistance Programme (NSAP) has three schemes. National Old Age Pension Scheme (NOAPS), which provides cash pension to aged (above 65 year) who are destitute without any regular source of income or support from family members or relatives. The government has launched another programme called Annapurna (2000) for those elderly who are eligible for NOAPS but did not receive it due to budgetary constraints. The National Family Benefit Scheme (NFBS) provides
one time cash support to families under BPL on death of bread earner of the family due to natural or accidental causes, while National Maternity Benefit Scheme (NMBS) provides cash support to women of BPL households to improve nutritional intake during pregnancy.

The GoI embarked on a structural adjustment programme with support from World Bank after 1991 financial crises, when government almost defaulted on external repayment obligations leading to devaluation of currency and other fiscal measures. This led to major policy change through economic reforms and various sectors were opened for private investments, while government decided to reduce its economic role in favor of a more developmental role.

The Tenth Plan attempts to reduce poverty through pursuing further improvement in effectiveness of governance that can enhance support to the private sector while increasing the pace of public sector reforms. The multi level governance improvement is aimed at increasing accountability and responsiveness to improve basic service delivery and higher commitment to poverty reduction. The Plan also recognizes its commitment to the MDG and set targets for achieving and beyond that through focused attention to relatively poorer states, for enhancing growth and employment while improving access to primary health care and education. Fiscal reforms to control deficit both at Central and state level and further liberalizations of sectors would enhance public investments for important sectors of rural infrastructure and productive assets.

5. Governance and Decentralization in India

India has a long history of traditional village governance system where management of public affairs was vested with select group of people trusted by community. However, these village governments were not exactly democratic in character. Panchayati Raj under the 73rd Constitutional Amendment was passed by Parliament in 1992 and Part - IX was added to the Constitution of India. The Constitutional Amendment ensured a three-tier structure at the district, block and village levels; periodic election of local government; reservation of one-third seats for women; reservation of seats for SC and ST in proportion to population; establishment of planning committee for local bodies; assignment of tax and grant and setting up of a State Finance Commission every five years to help determine the transfer of resources to local bodies; and an earmarked list of 29 items under 11th schedule on which powers were to be devolved to local government.

The Act warranted each state to amend their Panchayat Acts and decide subjects for devolution of powers. All the states have created PRIs at different levels, however, the discretion allowed to the state governments to transfer the functions listed in the Eleventh Schedule to the PRIs is very large with the result that there is considerable variation in the powers and responsibilities assigned to them in different states.

Though India has progressed further in the decentralization process with elected local governments in several states; the administrative and fiscal decentralization varies with states at different stages of devolution of power. In most states, Panchayats have been handed a wide array of responsibilities without sufficient fiscal and administrative resources. For example in Orissa, while funds, functionaries and finances have been transferred to the Panchayats to certain extent, they seem to be inadequate for Panchayats to have affective control on local development.

6. Rural Institutions and Poverty Reduction Strategies

The importance of institutions for effective poverty reduction in rural areas is well recognized by Government and other development organizations in India. Participatory planning and development approach for addressing rural poverty has long been adopted by the government and

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3 Include agricultural extension, minor irrigation, drinking water, minor forest produce, khadi, village and cottage industries, rural housing, fuel and fodder, education, health, etc.
almost all the programme presently are implemented through local self government. A range of other institutions play vital role in livelihoods and service delivery in rural areas. They mediate the access of poor to assets, financial and other services, technologies and markets, and influence benefits from their productive use. These institutions empower the poor through membership and participation in decision-making processes.

These institutions at the village level span across sectors such as for management of common property resources (water, forest), sector specific associations and committees (health, water & sanitation, education, electricity, public distribution system), self help groups (SHGs) and producers organization (crop, livestock, non-timber forest produce) and have been mostly created under government sponsored programs or donor aided projects. Majority of these sector specific institutions were created for increasing access to a particular good or service to ensure smooth and time-bound program implementation. These institutions receive financial support from respective department for implementation of various schemes and it is expected that management of funds through them can have better impact on the community.

Along with these institutions are the others, traditional socially embedded informal social, religious, recreational and political associations/institutions that perform various economic and non-economic functions for its members. Majority of these institutions are based on relationship or kinship and have traditionally been very powerful, influencing local governance, public affairs and livelihoods in villages.

7. World Bank Programme in India

World Bank have been working closely with Government to assist in efforts towards poverty reduction and achieving sustainable development. The Bank has been partnering with both Central and State government emphasizing commitment to national development goals through investments in critical areas of basic services such as health and education; promoting Community Demand Driven (CDD) projects that empowers community and local government; and assisting government to improve effectiveness through public and governance reforms and promoting private sector lead growth. Besides government, the Bank works with other development partners including other bilateral and multilateral donor organizations, nongovernmental organizations (NGOs) and the private sector. Its four-year country strategy for 2005-2008 focuses on investment for infrastructure, human development, and improving rural livelihoods and at the end of June 2007, had 67 active projects with a commitment of about US$ 14.3 billion in India.

The Bank has been increasingly providing strategic support to Government through technical assistance that brings in new ideas and best practices from various countries in the arena of poverty reduction, governance and sustainable livelihoods. Support to energy and mining sector continues to be the biggest focus of Bank financing in India followed by improving public administration and agriculture sector. Education, health, transportation and financial sectors also receive substantial financing from Bank.

Promoting community or user based rural institutions that have potential of improving service delivery and livelihoods through process of empowerment and strengthening local governance across sectors continues to remain as one of the major focus of its partnership with Government of India. Bank has played an important role in promoting Pani Panchayats (Water Users Associations) in irrigation projects, Common Interest Groups and SHGs in poverty reduction projects.
8. Description of the Context

8.1 State Context

Demographic and Social Context

Orissa is located in the east of India bounded by Bay of Bengal in the east and states of Andhra Pradesh, Chhattisgarh, Jharkhand and West Bengal. Orissa has 4.74 percent (approximately 0.16 million sq km) of India’s landmass and shares 3.85 percent of the country’s population. 31.06 percent of the state’s geographical area is covered by forest (State Forest Report 2003, FSI) one of the highest in the country. The state has 30 districts, 314 community development blocks, 6,234 Gram Panchayats and 51,349 villages.

The population of the state is 36.81 million (2001 census), which shows 16.25 percent decennial growth as compared to 23.86 percent at the national level. The Scheduled castes (SC) and Scheduled tribes (ST) are 16.5 percent and 22.1 percent of the total population in 2001 (almost similar proportion in 1991). The state has improved its literacy rate from 49.10 percent in 1991 to 63.08 percent in 2001. The male and female literacy ratio stands at 75.35 percent and 50.51 percent respectively in 2001. The literacy rate among SC and ST population though has improved, but still remains low at 55.53 percent and 37.37 percent respectively.

The state divides into 10 agro climatic zones with diverse characteristics. Land is classified into low (25.6 percent), medium (33.6 percent) and uplands (40.8 percent) with various types of soil like red, yellow, red-loamy, alluvial, coastal alluvial, laterite and black soil with different texture. Nearly, 85 percent of the population lives in rural areas heavily depending on agriculture and allied activities for their livelihood. With about 11 percent of total water resources of the country, state has abundant water resources. According to estimates the realizable irrigation potential or the state is 5.9 mHa. But till March 2007, only 46.8 percent of cultivated area (2.76 mHa) of the state has been provided with irrigation. About 29,300 villages are forest fringe (highest in the country) depending significantly on forest based resources for livelihoods. Even though the state is highly rich in mineral resources, these have not been exploited to a desirable extent.

Orissa is home to 62 indigenous communities (tribal) and 93 scheduled castes communities. Among the various tribes, 13 have been recognized as Primitive Tribal Groups (PTGs). 12 districts of the state are fully or partially covered under scheduled area (118 tribal development blocks) as per schedule V of the constitutions.

The caste system in Orissa draws from traditional varna system and is often observed but with reducing rigor with the increasing urbanization. Villages in plains are predominantly heterogeneous community while the hill tracts and forests are dominated by STs (they are outside the caste hierarchy / first nation). However, caste based conflicts have been historically limited in Orissa due to tolerant nature of the people. Conflicts between SC and ST communities primarily for land has happened in the past.

Economic Situation

The GSDP at the constant prices (1993-94) has increased at an annual compound growth rate of 4.93 percent and is estimated at Rs. 330.4 billion in 2005-06. However, this growth is not uniform across the years, due to frequent natural calamities or drought that drastically affects agricultural production. The primary sector contributes a major share of about 40-42 percent to the state income and bad agriculture years strongly affect the total GSDP of the state. The state has experienced three such years due to drought and other natural calamities during the last 6 years.

The secondary sector shows inconsistent growth, varying between 4 percent to 21 percent during the period 2002-03 and 2005-06. The growth of tertiary (10-11 percent), finance and services sector (6-7 percent) has been fairly consistent during this period.
In view of significant dependence on agriculture the State Government adopted agricultural policy (1996) with the main objective of doubling the production of the food grains and the oilseeds by the end of the 9th plan and to adopt agricultural development as the main strategy for eradication of poverty. The policy accorded industry status to agriculture sector with a view to encourage private sector investment in the sector. Paddy is the major cereal crop in the state which constituted about 95.4 percent of the total food grain produced during 2005-06. Despite irrigation constraints and shortage of inputs, the area under HYV paddy has increased significantly to about 3.10232 mHa. The total production of paddy in 2005-06 was 10392.49 TMT. The total production of crops was 9.05 million metric ton (2006). Food grains were 81.29 percent of the total production while cereals, pulses and other crops constitute 18.71 percent.

Orissa is endowed with vast mineral deposits like coal, iron-ore, manganese ore, bauxite, chromite, etc. According to the all India Mineral Resources Estimates, the mineral deposits of Orissa in respect of chromite, nickel, bauxite and iron ore are about 97.37 percent, 95.10 percent, 49.74 percent and 33.91 percent respectively of the total deposits in the country.

Due to abundance of vast mineral resources and comfortable power situation, the state has immense potential for industrialization. Large industries like Rourkela Steel plant, National Aluminium Company, Indian Charge Chrome Ltd. Paradeep Phospates and the coal based power plants in Talcher, Kanhia and Banharpal have been set up in the state during different plan periods. The government in order to increase industrialization has signed several MoUs with industrial groups in recent years. Out of 66 MoUs signed in the period 2002-07, 25 projects have started fully or partially in the state (December 2007). More than 70 percent of the MoUs are in the steel and aluminium sector for utilizing reserves of minerals in the state.

By the end of the year 2004-05, the number of the SSIs in Orissa was 83,075 (with investment of 22.84 billion and generated employment for 0.5 million people). 51,398 handloom and Khadi industries are operating in the state (2006). Goods valued at Rs. 53.46 billion were exported from the state during 2005-06 out of which share of metallurgical products was about 56.02 percent followed by mineral products (21.83 percent) and electronics products (8.70 percent). There were 341 licensed exporters in the state as on 31st March, 2006.

Poor agriculture productivity, inadequate industrialization and lack of opportunities have increased unemployment in Orissa and educated unemployment is one of the biggest challenges for the government. According to the live register maintained by the directorate of Employment Exchanges, at the end of the 2005, the number of educated unemployed in the state was 0.72 million, which is 85.97 percent of the 0.83 million total job seekers.

**Poverty Context**

Orissa is the poorest state in India with 39.9 percent of people below the official poverty line as compared to 21.8 per cent at the national level (Planning Commission, 2004-05). The 2001 census estimated more than 154 million people below the official poverty line in the state. Majority of the poor belong to the lower social groups (SC and ST) and concentration of these groups is higher in southern and northern region. It is estimated that 88.56 percent of the ST and 46.23 percent of the SC population of the state reside in these areas. The coastal plains have relatively lower concentration of poor; however the proportion of poor among SC and ST is high even in these areas.

The incidence of poverty in undivided KBK is primarily due to chronic drought conditions, poor development of agriculture and lack of alternate source of livelihoods. This has led to high levels of food insecurity, distress migration and reporting of starvation deaths. Agriculture is the mainstay of the region’s economy and khariff paddy cultivation (with very low yield of about 1.5 ton per ha) is the principal means of livelihood.
The State Government has constituted a Poverty Task Force (PTF) to suggest an appropriate policy framework to encourage broad-based and pro-poor growth. The task force has targeted to reduce poverty by 10 percent by the end of eleventh plan. The state human development report identifies Malkangiri, Kandhamal, Gajapati, Koraput and Nabrangpur as districts with lowest human development indicators. The state is reported to be lower on Human Development Index and ranks 10 among 14 states where HDI has been estimated (2004).

**Political Context**

The political history of the state dates back to pre-independence era when prominent leaders of the state took active participation in the freedom struggle movement and lead to establishment of Congress (one of the oldest and major political party in India) movement in Orissa and raised demand for a separate state. Although the province of Orissa came into existence in 1936 but was declared a separate state of Indian Union only after India’s independence in 1949.

Orissa was under Congress government for better part of period after independence till 1990. Regional parties and other national parties were able to form coalition government in 1967, 1969 and 1977 but none of them were stable and did not last full terms. It was only in 1990 that the Government for the first time passed to a non-congress party (Janata Dal) under the dynamic leadership of Biju Patnaik that lasted for full five years. The fifth regional party the Biju Janta Dal (BJD) was formed by Navin Patnaik in December 1997 and it won 8 out of 12 Lok Sabha seats in the ensuing election. The party won the 2000 Assembly Polls in alliance with BJP and was voted back to power again for the second term. Other smaller regional parties have emerged in the last few years, but have not been able to win many seats. The state has presently 21 seats in Lok Sabha, the lower house of Parliament and 10 seats in Rajya Sabha, the upper house. It has 147 seats for the state legislative assembly.

**8.2 Social, economical and political context of Bhadrak**

Bhadrak is one of the costal districts of Orissa, covering 2505 sq. km area which is 1.61 percent of the total area of the state. The forest cover is less than 4 percent of the total area. It has a long coast line of 50 km and the area covers soft alluvial, loam and sandy type of soil with average to moderate temperature and rainfall. The district has one revenue subdivision and three important towns; Bhadrak (Municipality), Dhamnagar and Basudevpur. The district was created in 1993 after separation from Balasore district and has 7 blocks, 193 Gram Panchayat and 1356 villages. The population of the district is 1.3 million with a higher decadal growth rate than that of State (4.36 percentage point). 89.43 percent of the population stays in rural areas (Census 2001). Schedule Tribes and Schedule Castes constitute 1.88 percent and 21.5 percent of the total population respectively. The district is a non-scheduled area and the tribal are not among the native population. They are largely concentrated in the coastal area of the Basudevpur and Chadbali and have tiny settlement at the outskirt of the coastal villages.

The literacy rate of the district has increased over the years and in 2001 it was 73.86 percent, which is almost 10 percentage point higher than the State average. The male literacy rate is at 84.65 percent as compared to female literacy rate of 62.85 percent.

Main workers constitute 78.3 percent of total workers (0.4 million). Cultivators and agricultural laborers are 86.34 percent of the main workers strength, indicating dependence of the district on agriculture. The district has vast potential for fisheries with long coast line and presence of several rivers like Baitarani, Salandi, Kansabansa, Mantei, Kohila, Genguti, Reba and Kapali.

The district is covered by major development program for the State and Centre. The district has been selected under the NREGA program in the second list and would start the program implementation in 2008.
The major economic activities in the district are agriculture and other allied activities like dairy, fishery, poultry and small business such as retail trade etc. About 65 percent of the area of the district is covered under agriculture. The percentage of area under cultivation covered by major and minor irrigation is about 17.3 percent. Paddy is the major crop of the district and covers almost 0.17 million ha of land. The production of paddy is approximately 0.51 million tons (2005). Other important crops of the district are sugar-cane (0.02 million tons), black gram, pulses and potato. The total fish production of the district is approximately 0.02 million MT, of which approximately 50 percent is marine fish production. Some of the coastal blocks have also significant salt production.

Bhadrak has no mineral resources and the industrial scenario is not developed. There are no large industries in the district and only 179 SSIs are reported in 2004 (Directorate of Industries Orissa-2005). Apart from M/s Ferro Alloys Corporation Ltd (FACOR), most of the SSIs are agro-processing units. The cottage industry in the district has reduced from 1124 units in 2003 to 750 units in 2004. However, the handloom sector has grown and the number of units has increased from 21 in 2002 to 324 units in 2004. The registered number of unemployed in the district stands at 23,027 in 2003.

Bhadrak traditionally has been a strong hold of Congress party. The contribution of Bhadrak has been high in politics and political leadership in Orissa. Two former chief ministers of Orissa were from Basudevpur legislative assembly constituency of this district. Almost all the major political parties have presence in the district and have fielded contestants in the last assembly election. Bhadrak has five assembly constituencies and one seat for Member of Parliament. The assembly constituencies of Bhandaripokhari, Bhadrak and Chandbali have Congress MLAs while Dhamnagar and Basudevpur have BJD MLAs. The MP seat is with BJD.

The Congress party has largely dominated the Panchayat elections during the last 10 years in the district. The performance of BJP and BJD in the last two years has improved and their alliance has done reasonably well in Dhamnagar and Basudevpur. However, in Bonth, Bhandaripokhari and Bhadrak the PRI representatives are mostly from the Congress. In Chandbali, Congress singularly holds majority of the Panchayat seats in the last three terms.

8.3 Social, economical and political context of Kalahandi

Kalahandi district is located in the south western part of Orissa with a geographical area of 7920 sq km constituting about 5.09 percent of the area in the state. 37.6 percent of the total area of the district is covered by forest. It has two distinct physiographic regions; the plains and the hilly tracts. The plains cover about 59 percent of the total area of the District. The Hilly tracts are mostly located in the South Western part of Bhawanipatna Subdivision. Some of the hilly regions are covered with dense forest.

The red laterite soil is commonly found across the district. The climate of the district is extreme with temperature and rainfall variation. River Tel (tributary of Mahanadi) and Indravati (tributary of Godavari) are the principal rivers of Kalahandi. Most of the rivers in Kalahandi dry up during the summer season. Annual drought is a normal feature of this district.

Kalahandi has two revenue subdivisions, Bhawanipatna and Dharamgarh, and 13 community development blocks. The district has 273 Gram Panchayats and 2257 revenue villages. The district headquarter is located at Bhawanipatna and is well connected by other parts of the State.

The district has a population of 1.34 million (Census 2001) with a decadal growth rate of 18.09 percent, which is 1.84 percentage point higher than the State average. The sex ratio is favorable with 1001 female per 1000 male, which is better than the State average of 972 females per 1000 males. 28.84 percent of the total population belongs to schedules tribes while 17.67 percent belong to schedule caste. The tribal constitutes the most vulnerable section in the district and are
concentrated in Thuamul Rampur and Lanjigarh blocks. Bhawanipatna, Kensingha, Madanpur Rampur and Narla also have significant tribal population. The dominant tribes in the district are Kondhas.

Rural population constitutes about 92.49 percent of the total population and depends heavily on the primary sector. Literacy rate in this district is 45.94 percent against the state average of 63.08 percent. The male literacy rate is 62.66 percent while the female literacy rate is 29.28 percent.

Kalahandi has a very high incidence of poverty. It is estimated that about 0.2 million households are below the official poverty line (1997), which is approximately 62.71 percent of the total households in the district. In 1992, the proportion of household below poverty line was estimated to be about 85.77 percent.

Agriculture is the primary occupation of the district. Paddy, Mandia, Kushla are the major crops grown in the district. The average land holding size is 1.74 ha in the district and the Net Sown Area is about 38.99 percent. The district has one major irrigation project i.e. Indrāvati Systems, one medium and 69 minor irrigation projects and the total irrigable area is 18.45 percent. The total area irrigated from all sources i.e. canal irrigation, lift irrigation and dug wells is 30.63 percent of the total area in the district.

A significant section of population depends on Minor Forest Produce collected from the forest. The marginal workers constitute about 17.89 percent of the total population.

The district is rich in mineral resources like bauxite, graphite, Manganese, Iron and Quartz. Only Bauxite and Graphite has been commercially exploited. Kalahandi has the second largest deposit of bauxite in Asia and is found in Lanjigarh Block at Niamgiri in large scale.\(^4\) However, the district is industrially very under developed and has only 92 registered SSIs (Director of Industries, 2005). The districts have 28 working mines with coverage of 360 ha which is 8.94 percent of the total working mines in Orissa (Director of Mines, 2005). Besides the major state and central development program, the district is covered under the RLTAP and receives significant funds earmarked for KBK development.

Kalahandi has three assembly constituencies and BJP and CPI (M) are the two major parties dominating the assembly and PRI election. BJP holds all the three assembly constituencies in the district. The present Panchayats are dominated by BJP and the party holds more than 70 percent of the PRI members. CPI (M) is the next important party and had received the second largest vote share in the Panchayat election of 2007.

8.4 Brief Description of the Study Sites

Ambroli Gram Panchayat

Ambroli Gram Panchayat is at a distance of 8 km from Bhadrak and falls under Bhadrak block. The Panchayat has 1466 household and approximately 5000 population. The Panchayat has 24.1 percent SC and 13.8 percent ST population. The Panchayat has two revenue villages; Ambroli and Talanga. Talanga has more population than Ambroli (12 percent). Agriculture and wage labor are the primary occupation of the villagers. 70 percent land in both the villages is cultivable land and both the villages are irrigated by canal irrigation. The Panchayat has two middle schools, one in each village and a high school in Talanga. The nearest college is situated at Bhadrak. Anganwadi Centers (AWCs) are present in both the villages. The Panchayat has a health centre, and one Auxiliary Nurse Mid-wife and two ASHA workers are posted for health services. Tube well is the main source of drinking water. Wells and Ponds are also available in the Panchayat.

\(^4\) According to the National Council of Applied Economic Research, the known deposits of minerals in the district cannot by themselves sustain heavy mineral based industry.
The Panchayat is well connected with Bhadrak. Both the villages are electrified and have communication facilities. The Sarpanch seat is reserved for ST woman.

Sabrang Gram Panchayat

Sabrang Gram Panchayat is at a distance of 21 km from Bhadrak. The Panchayat has four revenue villages; Sabrang, Goramati, Toranapada and Atto. The Panchayat has 1633 households with a population of approximately 8,800. 19.11 percent of the population belongs to SC while 0.79 percent are from ST. Tribes are not indigenous to the gram Panchayat rather are migrant laborer. About 10 percent of the households are Muslim located in main village. Agriculture is the primary occupation of people and majority of them are marginal farmers. AWCs are present in all villages. The Panchayat has adequate education facility and has a high school at Sabrang. For higher education the people depend on a college in a neighboring village. Health care facilities like Sub-centers, additional PHC, private clinic, homeopathic clinic are present only at Sabrang village. The main village Sabrang is well connected by a road while others are not. All the villages are electrified and have communication facilities. The Sarpanch seat is reserved for SC woman.

Lanjigarh Road Gram Panchayat

Lanjigarh Road Gram Panchayat under Lanjigarh block is located at a distance of about 30 km from Bhawanipatna. There are 23 revenue villages in the Panchayat and are scattered. The Panchayat has 1579 households with a total population of about 5200. 24 percent of the population belongs to SC while 30.1 percent are from ST. Agriculture and wage labor (farm and non-farm) are the primary occupation of the villagers. The Panchayat is surrounded by hills and forests and is spread over a large area. Seasonal out-migration (January-April) is reported among the villagers during work shortage. AWCs and primary schools facilities are available in almost all the villages. There is a high school in Lanjigarh Road and for higher education people depend on block headquarter. Lanjigarh Road village has one sub-center, one CHC and 2 private health clinics and a government veterinary clinic. Other villages in the Panchayat do not have health care facilities. ASHAs and ANM are employed in villages and ANM covers few villages only. Tube well is the prime source of water in the villages. Most of the villages in Panchayat are not electrified and lack communication facilities. The Panchayat is well connected, but other villages do not have all weather road. The Sarpanch seat is reserved for ST.

Gunduri Gram Panchayat

Gunduri Gram Panchayat is located at a distance of 25 km from Bhawanipatna. There are 42 revenue villages in the Panchayat. The Panchayat has 1093 households and a population of approximately 4600. A very high percentage of the total population is tribal (68.69 percent). Scheduled Castes population is about 29.01 percent of the total population. The study covered Gunduri and Kerakata in the gram Panchayat. Gunduri has 111 households while Kerakata has only 24 households reflect the inequality of population distribution among the villages of Gunduri gram Panchayat. Agriculture is the primary occupation of the villagers and the cultivable lands are canal irrigated (almost 70 percent). Seasonal out-migration (May-June) is observed among the villagers during work shortage. Educational facilities from AWCs to Middle Schools are available in most of the villages; but for higher secondary education the students rely on district headquarter. ANM and ASHA workers are posted in majority of the villages. The Panchayat has no health centers. For health facilities people depend on neighboring Panchayat and district headquarter. Tube well is the major source of drinking water in the Panchayat. The villages are connected with bus services. All the villages in the Panchayat are not electrified and in general communication facility is poor. Gunduri has a post office. Nearest market place is 7 km away and opens twice a week. Sarpanch post is presently reserved for ST.
9. Key Findings

This section presents an analytical perspective of rural institution functioning as emerges from the three focal institutions case studies and focuses on the process of interaction among institutions that largely affects governance. While doing so it attempts to present the nature of institutional linkage and convergence with the formal governance structure and the potential means and merit of promoting such convergence for achieving poverty reduction and sustainable development.

The findings are based on selective field research in Orissa and at best should be understood as preliminary indications for Orissa and as possibilities, for other states in India.

9.1 Rural Institutions and Organizations

The rapid proliferation of community based rural organizations in Orissa is evident from the study. Most of these organizations have been primarily established through government programs and donor initiatives through externally aided projects. These organizations are sector specific and have emerged during the last decade with the primary objective of encouraging participatory planning and administration to achieve sector specific goals. This has been a consequence of paradigm shift in development administration in India with bottom-up approach for public planning to enhance local participation and ownership of development process, and for improving accountability of public service delivery organizations.

The present institutional landscape represents a myriad of rural organization formed along sectoral requirements such as health, education, water and sanitation, irrigation management, watershed development, forestry management, credit and economic activity groups.

The establishment of constitutionally sanctioned village self government or Gram Panchayat as a principal governance institution for economic and social development has enhanced the complexities and underlying dynamics of power distribution and authority for governance at the village level.

The presence of other traditional or socially embedded institutions as defined by their unique set of norms and rules, the system of values that provides a framework for behavior and elicits a desired pattern of actions widens the institutional landscape and influences governance through informal mechanisms. The rural organizations in contrast have somewhat clear rules for controlling various activities though quite often not explicitly written. These traditional informal institutions are mostly relationship or kinship based ethnic, caste, extended families and religious groups led by influential local elites drawing legitimacy from custom and tradition and patriarchal in characteristics as custodian of traditional norms and rules.

9.2 Rural Institutions and Governance

Governance in the national context refers to the mechanism and pattern of power use in managing economic and social resources for development. In the context of rural institutions this reflects broadly the power structure and the influence in decision making process related to organizational activity and also wider community development. It refers to how power and authorities are exercised through formal and informal rules.

Institution such as Gram Panchayat, responsible for local self governance has a clear structure and established formal rules for village governance. In contrast, other rural institutions influence village governance mostly through informal rules. The relationship and interaction between formal and informal governance mechanism in the rural context may significantly influence poverty reduction and sustainable development for poor and disenfranchised.
The constitutionally mandated and democratically elected Gram Panchayat has the legitimate authority for village governance. However, the study indicates that rural governance in any given location is more than what is accomplished by the functioning of the Panchayat. It is a consequence of the interplay of influence and dynamics of power sharing arrangements between Panchayat and other formal and informal rural organizations and institutions. Sector-specific government-promoted rural organizations have their own governance mandate and mechanisms, which to certain extent weaken the legitimate authority of Panchayat as a formal governance institution at the village level.

The informal traditional and custom based rule institutions in Orissa for long have been engaged in informal governance at the local level and continue to co-exist with these new formal governance structures. While Panchayats came into existence as early as in 1948 in Orissa, the existence of village headman (known by different term in different area - “murabi”, “gauntia” “malika”) and other informal institutions based on social, economic, religious and political affiliation, and their considerable influence through organizing activities, grievance redressal, providing support to poor, and maintenance of local law and order have not subsided with time. Rather the study indicates that local political affiliations are one of the strongest informal governance institutions as a result of a deepening democratic process as political parties tried to gain control of local-self government. Most of these informal institutions exercise their powers and enforce their decisions through social pressure and political clout and it seems there is a constant negotiation for power preservation and augmentation.

In Orissa, devolution of power to Gram Panchayat has taken place with respect to 21 subjects managed by 11 departments; Finance, ST & SC Development, Agriculture, Health & Family Welfare, School & Mass Education, Women & Child Development, Water Resources, Rural Development, Food Supplies & Consumer Welfare Department, Cooperation and Fisheries & Animal Resource Department). In case of minor irrigation, Gram Panchayat has been given the responsibility for identifying beneficiaries and constituting Pani Panchayats as well as to encourage farmers for farm and non-farm development of field channel / delivery system for proper utilization of water. However, the Pani Panchayat Act does not indicate any role for Gram Panchayat and Pani Panchayats are responsible to their higher tier and the department. The field study also indicates that Pani Panchayats have almost no linkage with Gram Panchayat and are beyond any supervision and control of GP. This to certain extent dilutes the spirit of devolution of power to formal and legitimate local self governance institutions. A similar pattern is observed in other subjects devolved where government-promoted institutions are not under the control of Gram Panchayat weakening the formal governance mechanism. A detailed account on this aspect is presented in the Institutional Case Study on Gram Panchayat.

9.3 Mechanism and Dynamics of Governance in Rural Institutions

The governance characteristics of informal institutions are that they are predominantly based on kinship and rely heavily on trust and faith reposed in leadership and specific persons. Rules normally originate from leadership and are shared among close group of trusted affiliates and enforcement is mostly on the basis of relationship and trust. Patronage based power, interests and benefit sharing is a common feature and help leadership maintaining its power and authority on

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5 Informal in the sense of legality, distinct identity and membership definition
the subjects. Rent seeking behavior and nepotism are part of such governance mechanism and consistency in achieving development objectives is consequently difficult.

The governance mechanism of formal organizations in contrast are rule based that are reasonable public knowledge. Some of these rules are decided by the promoting institutions at inception and may have been laid explicitly in legal instruments (Act and Rules) while others are adopted as a matter of practice. Sector focused organizations mostly have rules limited to sector domain, but wider local governance interests and influence is visible due to overlapping leadership and membership strength with voting potential. The enforcement mechanisms of rules are well established in few institutions, but in majority have elements of subjectivity as a result of strong influence and institutional linkages with informal and seemingly more powerful informal institutions such as local political institutions.

The study provides evidence that political party affiliations and formations are at the apex of power hierarchy in rural areas. Membership in this institution is informal, but broad based and the source of power is voting numbers represented through membership size. It has almost all the characteristics of informal governance institution and leadership is diffused and vested with multiple local leader and influential elites. Some of the traditional caste and kinship based institutions seems to have been weakened due to emergence of this dominant pervasive local political system and have become part or extension of this institution or continue to exist under its tutelage. These local political party affiliations are largely based on command and control arrangement of regional and national political parties. There is a stiff competition among various local political institutions to gain control and supremacy in village affairs through increasing membership and affiliation, and through attempts to capture other local institutions and organizations. This not only enhances local authority and control, but helps accommodating multiple local leaders and elites.

**Rural Institutions in Ambroli**

The leadership pattern of rural institutions in Ambroli clearly depicts the efforts for power preservation and augmentation at the village level. The village level power is concentrated with a local political leader Khirod Dash and his close coterie. He belongs to the most influential family and his father was Sarpanch for 25 years and he himself was Sarpanch from 1992-97. Brahmin by caste and well educated and has more than 12 acres of land and is engaged in business. In 1997 when the Sarpanch seat was reserved for SC woman, he nominated Kanchan Das to become Sarpanch.

Kanchan Das: I was never interested in politics, but I got influenced & because of peoples support, I got through. I was the Sarpanch because of Khirod Dash. He is the strength of Ambroli village.

Between, 2002-07, the Sarpanch post passed to opposing party and in order to preserve his power he became the president of Pani Panchayat and Primary Agriculture Cooperative society while his close political aid was selected as President of VEC. His close supporters were selected as Secretary and Treasurer in the Pani Panchayat. He established a local youth club and provided necessary financial support to expand its presence and membership. In 2007 Panchayat election, the Sarpanch post was reserved for ST woman, he nominated Raimuni Singh and got her elected.

Raimuni Singh: I was doing wage labour work. My husband told me, and then Khirod Dash asked me to contest the elections as it was a ST seat. Initially I did not like contesting but Khirod Dash and my husband persuaded me to contest it.

He has got elected for the second term as President in both the institutions. The current election of Pani Panchayat (2007) was heavily contested by local political establishment and a compromise was reached between the institution and they were given the post of Secretary while President and Treasurer were retained by this party.
Dayanidhi Rout, Post Master, Gunduri

Dayanidhi Rout is one of the most influential elite in Gunduri. He is the post master in the village and has excellent linkage with administration at block and district level. His wife is the Anganwadi worker while his brother (Suresh Chandra Rout) is the Secretary of Watershed Committee and his sister in law is the president of Routpada SHG.

He is involved in most of the local decisions taken and attends meeting of various local institution. Since, Sarpanch of the Panchayat stays outside the Panchayat, the Panchayat secretary and post master takes all the decisions. It is reported that most of these decisions are not known to people and the decisions favor those who are close and related and others who can pay.

Due to his excellent connection with administration he is approached by people for various work related to departments and he charges money for this. For instance he has been able to get compensation to many for land acquisition under Ret Medium Irrigation project through his official linkage. In one such instance, a tribal has receive a compensation of about 5 lakh and he has convinced him to spend this entire sum in purchase of a Bolero (a four wheel drive SUV) and hired a driver, which is parked in the postmaster’s house. The post master is reported to be practicing sorcery and is able to draw people fear and respect as the tribal have strong faith in power of spirits.

Because of his official link with administration he has been able to get his brother nominated as Watershed Committee secretary, who in turn has supported the revival of Routpada SHG by making his wife as the President and provided financial support to the SHG. The SHG is not functioning properly because of internal conflicts between members and leaders as reported in the SHG case study and the financial transaction details is only known to the Watershed secretary.

Institutions based on caste, kinship or political affiliation does not necessarily undermine formal governance in all instances. Formal governance by Gram Panchayat in power is quite often complimented by powerful power positions of local political affiliation. There is a strong evidence of this pattern when reserved candidates occupy leadership positions in Panchayat and they are supported to ensure formal governance is not weakened due to inexperienced leadership. The failure of formal governance is too big a risk to be left unattended and may result in party being voted out of power in the next election. This is reflected from the case study in Ambroli where reserved category Sarpanch are actually facilitated by the local party system, however at the same time it leads to better control of village affairs. Even in such cases, it is difficult to exclude the possibility of rent seeking and interest negotiations, even in such positive reinforcing roles.

9.4 Dynamics of Inclusion and Representation

Inclusion broadly captures the presence of such organizational rules and uniformity in its application that allows equal opportunity of participation and deriving benefits for all members and includes the capacity to represent the interests of poor more effectively.

The rural poor in general are asset and resources deprived, which limits their ability to participate and devote time for pursuing their interest. Poorest of the poor also lack in confidence and capacities to present their concern and effectively negotiate for their interests. These structural poverty issues reduces the effective and collective participation of poor and poorest in internal

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6 Sarpanch and Ward member seats are reserved in rotation for SC and ST while one-third seats are reserved for women candidates to encourage participation and empowerment of these groups.

7 Gram Panchayat elections are supposed to be not fought on party lines and candidates are not allowed to use any political party symbol with a view that most eligible persons are selected for village governance. In reality candidates nominated by political parties contest these elections and the electoral voting is on party lines.
governance and decision making process of the rural institution and interests of the poor is pushed back since interests of others are more articulately negotiated. Even in institutions where the interests of these groups are included (for instance SHG), the poor and the poorest benefit less because of their poverty.

Inclusion in rural institutions is also a function of institutional design and membership criteria. Membership criteria may sometimes lead to exclusion in two ways. First, the institutional governance and decisions may be heavily tilted in favor of dominant resource users group, who have the number advantage and tend to be more vocal, while concerns and requirements of smaller subsidiary resource users tend to be ignored or do not receive adequate attention. Pani Panchayats for instance represent such characteristics of exclusion where decisions are mostly controlled and are in favor of irrigators, while ignoring the needs of other water users such as fisher folks. Secondly, poor and the poorest may be excluded because of their poverty and difficult condition which is less easily accommodated within the institutional norm and is perceived as an impediment to the institutional growth prospects. A classic institutional case depicting such exclusion characteristics are SHGs where poor and poorest who are likely to face difficulty in saving regularly are excluded rather than reducing the saving norm to accommodate such groups.

The influence of external governance mechanism can lead to exclusion of poor and others in more than one ways. Influence in selection of leaders who are economic, political and social elites through patronage system limits possibility of leaders emerging from poorest members. This has several spillover influences that diminish the inclusive nature of internal governance. The potential of being heard and included by pro-poor leadership is the first loss. Nepotism and rent-seeking characteristics are likely to emerge, which reduces overall quality of internal governance, reducing organizational capacity to be inclusive in other facets of organizational functioning.

<table>
<thead>
<tr>
<th>Organisation Leaders of Pani Panchayat</th>
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<tr>
<td><strong>Ambroli</strong> – President is a most influential local political leader, ex-sarpanch, Brahmin, rich businessman, holds 12 acres and is not a farmer. He has been holding the post since inception and got himself elected twice. Post of Secretary was lying vacant for about two years as the previous secretary a post master had two resign since he is a government employee. The new secretary is ex-sarpanch from a different political affiliation and he has been offered the post as a compromise. The vice-president is a close aid of the President, Brahmin, has large land-holding and is also the President of VEC. The treasurer is another large landholder who has been reelected. None of them are engaged as farmers or irrigators.</td>
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<tr>
<td><strong>Talanga</strong> – President is a civil contractor well connected to Government and heads number of other rural and development organizations and active in politics. Secretary is the first cousin of President. Both of them are Brahmin, large landholders, not farmers/irrigators and have managed to win second term for three years. Treasurer is a small farmer belonging to OBC and is controlled by the President and Secretary duo.</td>
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<tr>
<td><strong>Sabrang</strong> – Pani Panchayat is recently constituted. President is a graduate, large landholder and local influential political leader. Secretary is a homeopathy doctor, a local leader from the same political affiliation. Both of them are not actual farmer / irrigator. They together with ex-Sarpanch constitute one of the two political affiliations.</td>
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<tr>
<td><strong>Goramati</strong> – Secretary has not changed from inception (2003). President has changed. The previous president resigned when members suspected him for misappropriation.</td>
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<tr>
<td><strong>Kerkata</strong> - President is an influential person with political connection, large landholder (not a farmer) and has good rapport with Government. President has not changed since inception (2003) and virtually controls the Pani Panchayat. Secretary has changed; the present secretary was previously Treasurer.</td>
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<tr>
<td><strong>Kidding</strong> – Pani Panchayat was formed in 2006 and both President and Secretary are better informed, have average landholding and are actual farmers.</td>
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The effort to expand political presence and affiliation also tend to favor leaders having better literacy and negotiation skills to deal with other organizations and Government and are more familiar with the external formal processes, which are less easily found among poorest, socially excluded and marginalized. A similar pattern of consciously favoring selection of worldly wise leaders is observed in rural institutions even otherwise, such as among SHGs. Government or their departments similarly tend to promote or nominate local elites as initial leaders in rural institutions promoted by them, primarily to take advantage of their local influence at inception and it seems that they are the first to establish formal links to commit support for the cause. The study provides evidence that these initial leaders are not easily changed or removed since they manage to gain control of the institutions in due course.

Representation of interest in the internal governance mechanism is complex and varies with rural institutions. Institutional decision making process in PP and GP quite often revolves around key organizational leaders and participation by other members is limited. Frequency of meetings may be high to meet the expected norm. Voting as a part of decision making process is rarely observed and most of the decisions are deemed to have arrived through consensus. Smaller membership institutions such as SHGs tend to have higher internal democracy in decision making process and representation of interest is better.

### Organisational Leaders in SHGs

**Mother Teresa, Ambroli** - President since inception, belong to rich Brahmin family, husband close aid of Khirodh Dash, got herself selected as ASHA worker, President of local health committee. Present, secretary is daughter-in-law of President and was previously Treasurer; became secretary after the previous secretary left for job. Present, Treasurer, an active and vocal member with excellent equation with the President.

**Gopal Jew, Ambroli** - President, Secretary and Treasurer has not changed since inception. President (Graduate), Secretary (High School), Treasurer (Upper Primary) and Kanchan Das (Upper Primary, Ex-Sarpanch) are only educated members of the group. Decision mainly by Kanchan Das

**Maa Mangla, Talanga, Ambroli** - President since inception. Previous Secretary became Treasurer after the treasurer resigned. New Secretary was selected on the basis of education. President (Upper Primary), Secretary (High School) and Treasurer (Upper Primary) are only educated members of the group. Decision mostly by Santosh Sutar; husband of Anganwadi Worker.

**Maa Durgati Nasini, Sabrang** - Leaders have not changed since inception. Chakradhar Lenka a local leader and Secretary of Pani Panchayat help in maintenance of records and interest calculation.

**Maa Santoshi, Sabrang** - President has not changed since inception. Secretary resigned as she got married.

**Maa Saraswati, Goramati, Sabrang** - Secretary and Treasurer has not changed since inception. A new President has been selected. The secretary dominates the SHG activities. The members have no financial information.

**Nilakantheswari SHG, Kerkata, Gunduri** - All members are illiterate and leaders have not changed since inception.

**Routpada Mahila Mandal, Gunduri** - Leaders are illiterate and have not changed since inception. The president is the sister-in-law of most influential person, the local post master and she has been nominated by her sister-in-law who is Anganwadi worker. All decisions are controlled by President and Secretary and have severe conflicts with members on financial issues.

**Nilakantheswari Mahila Mandal, Gunduri** - All members are illiterate and leaders have not changed since inception. The group suffers from internal conflicts and the group disintegrated in between.

**Maa Chandi, Lanjigarh Road** - All members are illiterate and leaders have not changed since inception. Organizational leaders have taken maximum loan from the group.

**Maa Bharavi, Kidding, Lanjigarh Road** - Leaders have not changed from inception and the President and Secretary are the only literate members of the groups.

**Maa Mauli SHG, Kidding, Lanjigarh Road** - Leaders have not changed from inception. President is literate, while Secretary is illiterate and there are other literate members in the groups.
10. Conclusion and Recommendation

The rural institution case study focusing on state of Orissa in India provides evidence that formal and informal governance to a large extent is defined by the functioning of rural institutions. The functioning of institutions determines the quality of inclusion, governance, livelihoods and development outcomes. This study makes an attempt to look deeper into the dynamics of governance and its influence on pro-poor growth and sustainable development. The research also attempts to examine and analyze institutional linkages among rural institutions from governance perspective and tries to understand its implication on internal governance, institutional effectiveness and livelihood outcomes. The findings of the study are based on four case site studies in Orissa and therefore the inference and recommendation should not be accepted as generalizable facts, but rather preliminary lessons for future research and work on rural institutions.

10.1 Governance and Sustainable Development

The intricate and complex nature of rural governance and role of rural institutions as an “influencer” as well as the “influenced” that profoundly impacts pro-poor growth and sustainable development needs to be realized even if it is less comprehended. The livelihood outcomes for poor and deprived are significantly impacted by the dynamics of local governance and the interplay of formal and informal governance mechanism structured around these institutions. A better familiarity with the rural governance setting is the first step towards trying to find a strategy to deal with it to achieve poverty reduction and sustainable development.

One of the preliminary lessons that emerges from this limited case site studies indicate that multiplicity of rural institutions provide an opportunity for specific resource or service users to flag their demands and articulate areas of improvement for consideration though the institution may lack in resources and other capacities to address all of them. Lack of resources and capacities are in themselves are serious bottlenecks to be addressed.

Institutions with smaller membership size (SHGs) are better governed and have better livelihoods outcomes. In contrast public sector institutions with large membership lack enough resources to meet requirements of all members and excessively depend on Government for resource support. However institutions that emerge due to strong reasons and requirements at community level for resource management and service delivery are likely to have strong foundation. In that sense strong facilitation and sustained mobilization over a period of time to heighten the internal need and community demand for institution that can provide services and address local constraints should precede establishment of such institutions by the Government. A targeted approach for establishing community institutions should be avoided under all circumstances.

10.2 Enhancing Institutional Capacities for Livelihoods

Enhancing institutional capacities for improved livelihood outcomes particularly for poor and deprived would require a multi-dimensional approach. Livelihood outcomes for poor are influenced by the functioning and internal governance of rural institutions. Strengthening institutions to improve internal transparency and governance to function more equitably can affect livelihood outcomes significantly.

Limited authority and autonomy vested with government promoted rural institutions need to be overcome to improve their effectiveness and responsiveness in pro poor delivery. This would require necessary policy changes to ensure that these institutions are given autonomy to function as independent institutions rather than as implementation arms of department. The up-scaling of institutional activities and organizational ability to perform multi-functional role critically depend on autonomy it enjoys to respond to popular demands. The shift towards a multi-dimensional role of rural institutions that improves service delivery, adoption of new services and technology,
improved market access and linkage (such as in Pani Panchayat) would require multi-department linkages and support, which at present seem to be constrained because of lack of sufficient policy and government direction to affect this.

The study provides evidence that number of rural institution particularly government promoted institutions are relatively new and are in early stages of institutional development process. Poor institutional awareness and knowledge and low internalization of organizational objectives in majority of Pani Panchayats and other rural institutions is evident; highlighting the need for comprehensive capacity development and institutional strengthening. Government seems to have made inadequate investments in this direction and lack a clear strategy to achieve this. The training and exposure on institutional management, functional skills and strategy building are urgently required for these institutions to upscale their service delivery. Promoting growth of capacity and capabilities of rural institutions to take full responsibility of sectoral goals would require long term investment in capacity development and institutional strengthening processes.

10.3 Role for World Bank and other Donors

Identifying new ways of working with Rural Institutions

Identifying new ways of working with rural institutions is as important for government and national development organization as for the World Bank and other donors interested in international development and aid programs.

A better familiarity with the rural governance setting and understanding on institutional linkages can be the first step towards identifying new ways of working with rural institutions. Improved understanding of these issues among project planner and implementing organization can enhance outcomes and impact of Community Demand Driven and Rural Development projects.

Design of development projects for rural areas or those revolving around rural institutions cannot potentially ignore the role played by informal governance institutions and the need to engage them in dialogue and consultation through formal project processes that can influence better convergence of governance objectives between formal and informal structure. Identifying such informal institutions and establishing early dialogue with them can help design teams to arrive at strategies and project processes that can best leverage positive elements of informal rural governance while minimizing risks of project objective being compromised due to narrow interests and tendencies to subvert formal mechanisms.

Project designs also need to have a strategy for strengthening and building capacity of the formal rural governance structure as an integral component to ensure better project implementation and outcomes. Sustained support to enhance formal governance capacity is likely to yield sustainable development objectives for rural poor.

Negotiating for Governance Reforms

A better understanding of rural governance practice can lead to better negotiation with state and national government for broader goals of good governance and governance reform that seem to be one of the critical development agenda for World Bank and other bilateral and multilateral agencies. A critical dimension of such negotiations would be to push for increasing decentralization and strengthening of rural local self government.