

# The Non governmental Development Sector in India:

## Structure, Linkages, and Opportunities

*Report submitted to*

**Planning Commission, New Delhi**

*by*

**Dr. P.M. Mathew**



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## PREFACE

The Eleventh Five Year Plan has come out with a realistic understanding of the role of the ‘otherthan-governmental’ actors, enveloped under the rubric, “voluntary sector”. A Steering Committee was constituted by the Planning Commission, for defining the critical issues in this area and to evolve a broad framework for further deliberations on the subject. Subsequently, it came out with a National Policy for the Voluntary Sector (NPVS) in July 2007. The Policy is path-breaking in terms of its attempts to define the voluntary sector, and of its significant scope and coverage in a context of developmental planning in the country. Operationalisation of the policy, however, demands discrete understanding of the specific issues.

While studies on the voluntary sector generally do not relate to economic programmes, such programmes, and especially those relating to enterprise development, are often put under a miscellaneous basket called “empowerment programmes”. The background for a departure from this beaten track is made possible, to some extent, by the NPVS. This is the first study of its kind in India which specifically looked into the role and contribution of non-state actors involved in the specific area of enterprise development. Considering the subject matter of the project, we have made all attempts to make this report intelligible to the amateur and the professional alike. Case studies have been presented appropriately.

The term *enterprise development*, in scientific terms, implies private sector development. Planning for private sector development requires the presence of well-defined and operationally meaningful concepts and entities. Also, there is a need to circumscribe the scope of action. It was in the context of this imperative that this project was conceptualized.

This project, focused on four geographical zones of the Country, investigates on non-state actors operating in five key functional areas of enterprise development. This focus on the functional areas helped it to analyse and explore opportunities of collaboration and networking.

This study owes the active interest and support extended by Dr. Montek Singh Ahluwalia, Deputy Chairman, and Dr. Syeda Hameed, Member, Planning Commission. The kind support and useful comments and suggestions given by the SER and VAC Divisions is gratefully acknowledged. The active interest and support from our respondent organizations, Industries Departments of various States, corporate sector, and of financial institutions, deserve special mention.

We would like to place on record a special word of thanks to the members of the research team, as also, our associates in various parts of the country, who made possible the field operations, as also the shaping of this report into its present form. The names of J.M.I. Sait, Yerram Raju, E.N. Ashok Kumar, Kishore S. Kumar, B.B. Bhattacharya, P.Ramachandran, Malathy Mohan and Sujit Pawar, deserve special mention. The excellent skills in handling the data by K.Thyagarajan, and the support given for organizing this report by Ms. Remya Pillai, Nikita Manoj, and Achari Sandeep, are gratefully acknowledged.

This project was also immensely benefited by the National Policy Conference on Voluntary Sector, organized by ISED, in partnership with the Planning Commission, UNICEF and SIDBI, at Cochin, during the month of June 2008. We express our sincere thanks to Dr Syeda Hameed for her deep interest, support and participation,

as also for the valuable comments and observations by the distinguished participants. This Report, however, does not provide a final word on the subject. We hope that, along with the NPVS, the findings of this study would help to trigger serious debates on private sector development in the country, and of the role of nongovernmental actors.

Despite all the limitations, we hope that this report provides actionable inputs for all who are interested in this subject area.

Cochin  
August 15, 2010

  
**PM.Mathew,**  
Project Director



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## Acronyms

AP	- Andhra Pradesh
APO	- Asian Productivity Organization
APSSIA	- Andhra Pradesh Small-scale Industries Association.
ASSEFA	- Association of Sarva Seva Farms
AVARD	- Association of Voluntary Agencies for Rural Development
BASIX	- Bhartiya Samruddhi Investments and Consulting Services
BDS	- Business Development Services
BPL	- Below Poverty Line
CAF	- Charities Aid Foundation
CAPART	- Council for Advancement of People's Action and Rural Technology.
CBOs	- Community-Based Organizations
CDP	- Cluster Development Programme
CEO	- Chief Executive Officer
CFBP	- Council for Fair Business Practices
CII	- Confederation of Indian Industry
CNRI	- Confederation of NGOs in Rural India
CREM	- Consultancy and Research for Environmental Management
CSAs	- Civil Society Actors
CSDO	- Civil Society Development Organizations
CSM	- Centre for Social Markets
CSOs	- Civil Society Organizations
CSR	- Corporate Social Responsibility
CSR	- Corporate Social Responsibility
D&C	- Development and Co operation(the German Journal)
DFI	- Development Finance Institution
DFID	- Department for International Development
DICs	- District Industries Centres
DWCUA	- Development of Women and Children in the Urban Areas.
EDII	- Entrepreneurship Development Institute of India
EDIs	- Entrepreneurship Development Institutes
EDP	- Entrepreneurship Development Programme
ESDPs	- Entrepreneurship-cum-Skill Development Programmes
FASSI	- Federation of Associations of Small Scale Industries of India
FICCI	- Federation of Indian Chambers of Commerce and Industry
GDP	- Gross Domestic Product
GTZ	- German Technical Co operation
HLL	- Hindustan Lever Limited
HMT	- Hindustan Machine Tools Ltd
HP	- Himachal Pradesh

HUF	- Hindu Undivided Family
IAMR	- Institute of Applied Manpower Research
ICSSR	- Indian Council of Social Science and Research
IDBI	- Industrial Development Bank of India
IDRC	- International Development Research Centre
ILO	- International Labor Organization
IMF	- International Monetary Fund
INSLED	- International Network on SMEs in Local Economic Development, Cochin
IRD P	- Integrated Rural Development Programme
ISED	- Institute for Small Enterprises and Development.
IT	- Information Technology
ITC	- Information and Communication Technology
KVIBs	- Khadi and Village Industries Boards
KVIC	- Khadi and Village Industries Commission
LIC	- Life Insurance Corporation of India
MF	- Micro Finance
MNEs	- Multinational Enterprises
MoMSME	- Ministry of Micro, Small and Medium Enterprises
MoRD	- Ministry of Rural Development
MP	- Madhya Pradesh
MPRLP	- Madhya Pradesh Rural Livelihoods Project
MSE	- Micro and Small Enterprises
MSME	- Micro, Small and Medium Enterprises
MSMEDIs	- Micro, Small and Medium Enterprises Development Institutes
NABARD	- National Bank for Agriculture and Rural Development
NDDB	- National Dairy Development Board
NGDAs	- Non-Governmental Developmental Actors
NGDOs	- Non-Governmental Development Organizations
NGO	- Non Governmental Organization
NIC	- National Informatics Centre
NIESBUD	- National Institute for Entrepreneurship and Small Business Development
NISIET	- National Institute for Small Industries Extension Training
NPVS	- National Policy on the Voluntary Sector
NREGA	- National Rural Employment Guarantee Act
NRY	- Nehru Rojgar Yojana
NSAs	- Non-State Actors
NSIC	- National Small Industries Corporation
NSSO	- National Sample Survey Organization
ODA	- Overseas Development Assistance
P&D	- Planning and Development
PAN	- Pan Asia Network
PMEGP	- Prime Minister's Employment Generation Programme
PiC	- Partners in Charge

PIPs	- Performance Improvement Programme
PMIUPEP	- Prime Minister's Integrated Urban Poverty Eradication Programme
PMRY	- Prime Minister's Rozgar Yojna
PPPP	- Public-Private-Panchayat Partnership.
RANDO	- Registrar of Non-governmental Development Organisation
RBH	- Rural Business Hubs
RBI	- Reserve Bank of India
RCSA	- Registrar of Civil Society Actors.
RGUMY	- Rajiv Gandhi Udyami Mitra Yojana.
RUDSETI	- Rural Development and Self-Employment Training Institute
SDC	- Swiss Agency for Development and Cooperation
SDPs	- Skill Development Programmes
SEWA	- Self Employed Women's Association.
SFCs	- State Finance Corporations
SGSY	- Swarnajayanti Gram Swarozgar Yojana
SHGs	- Self Help Groups
SIDBI	- Small Industries Development Bank of India
SJSRY	- Swarna Jayanti Shahari Rozgar Yojana
SLBCs	- State Level Bankers' Committee
SMEs	- Small and Medium Enterprises
SNAs	- State level Nodal Agencies
SSIs	- Small-Scale Industries
TANSTIA	- Tamil Nadu Small and Tiny Industries Association
TCOs	- Technical Consultancy Organisation
TERI	- The Energy and Resources Institute
TISCO	- Tata Iron Steel Company Limited
TNCs	- Transnational Corporations
TSRDS	- Tata Steel Rural Development Society
UBSP	- Urban Basic Services for the Poor
UNDP	- United Nations Development Programme
UNICEF	- The United Nations Children's Fund
UNIDO	- United Nations Industrial Development Organization
UP	- Uttar Pradesh
URMUL	- Uttari Rajasthan Milk Union Limited
USEP	- Urban Self Employment Programme
UWEP	- Urban Wage Employment Programme
VANI	- Voluntary Action Network India
VBS	- Virtual Bookshelf System
VOs	- Voluntary Organizations
WTO	- World Trade Organization

## Executive Summary

This study identifies non-state actors(NSAs) having specialized interest and involvement in enterprise development and livelihoods as crucial in an inclusive growth agenda, envisioned by the Planning Commission. It draws upon the concerns and priorities relating to the voluntary sector under the Eleventh Five Year Plan, as outlined by the National Policy on Voluntary Sector.

### *Definition and Scope*

For the requirements of this study, an NSA is defined as an organization that is privately constituted, administered and controlled, and is operating in one or more of the functional areas of enterprise development.

This study typologies NSAs into three: a) international; b) national; and c) regional and local. The international organizations, however, have both a private and public character, because of their funding relations.

### *Empirical Basis*

A four-stage methodology of “trial and error-listing” for a scientific head-count of all NSAs in the country has been used. This frame can be used for the future requirements of planning and programme implementation,as well.

### **Main Findings**

The varied types of non-state organizations in India contribute immensely to enterprise development. However, because of lack of a functional approach to understand their role, one could not estimate their size and strength so far.

The size and strength of the sector is highly significant from a policy angle. The states of Andhra Pradesh, Maharashtra, and Tamil Nadu lead in terms of the penetration of NSAs. The total member of NSAs in enterprise development in the Country is estimated as 2045.

Despite the large number of international donors, as also a broad-based system of national and regional NSAs, capacity building of NSAs remain a major challenge.

Focus on the enterprise development constituency is yet to be gained in policy platforms, despite the growth of key developmental areas such as, micro finance and entrepreneurship development initiatives in the country.

There is much latent potential for NSAs, to play a meaningful role both in government programmes, as also in CSR relationships. Public sector banks can be key agents for promotion of CSR activities.

Exploitation of the NSA potential demands, a thorough review of both the foreign donor policy in India, as also the implementation of government programmes.

Detailed analysis of the pattern of concentration of NSAs in various states,as also their resource position, indicate that these agencies do not operate in a demand-driven environment,and that resource constraints is a major factor that enthuse them to work with the governmental agencies.

The NSAs suffer from an invisibility syndrome, which need to be corrected essentially through policy action. Professionalism should be brought in, and such enhanced capabilities should be meaningfully used in a broad based PPP model.

There are nine government programmes and six critical functional areas in which the capabilities of the NSAs should be harnessed. The mechanism for accreditation of NSAs should be based on principles of voluntarism. However, the Panning Commission should have a strong mechanism to verify and authenticate such voluntary disclosures.

Inadequate resource base is a key problem for most NSAs. This is a major cause for the poor track of many of them.

Database system, as on today is crude. An innovative accreditation system need to be evolved . Between the government and NSAs, there is significant mistrust and crisis of confidence. Corrective steps in these vital areas is a must.

### **Recommendations**

Professionalisation of enterprise development as a critical area, in the present phase of growth of the Indian economy, requires specific measures for strengthening entrepreneurship education, business development services, a national Enterprise Mission, Public-Private Business Links, and utilization of NSA capabilities by providing them consultative status within the government.

The functioning of the NSA system has to be understood as a key part of Public-Private partnership, should understand and respect this sector, and make accreditation and monitoring system more participatory than regulatory. State funding of selected NSAs, and rationalization of the taxation system should be initiated as major steps for addressing the problem of resource constraint. This will also boost confidence of the NSAs.

The Planning Commission should have a key role as the nodal agency catering to the voluntary sector, and the Ministries should have clear responsibilities in supporting this initiative.

State governments and State Planning Boards should be actively involved in creating a solid data base, as also for monitoring and accreditation.

A single point registration system and a unique identification number should be used to create a platform for all the other developmental initiatives relating to NSAs.

Detailed studies on the NSA system, in relation to the six functional areas of enterprise development, should be initiated by the Planning Commission. The evaluation exercise of the PEO also should be directed on these lines. The thrust of this Report is on action. We recommend the setting up of a Task Force on Voluntray Sector at the Prime Minister's Office.

# 1

## Enterprise Development Agenda and the Non-State Actors: An Introduction.

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### 1.0. Introduction

The terms ‘voluntary sector’, ‘voluntary organizations’, ‘civil society organizations’ and ‘non state actors’, have been synonymously used in the literature on development studies. While, the scope and coverage of these terms vary from one another, it essentially means the presence of various actors other than the government who participate and influence the process of development. While we use the terms ‘non-state actors’ (NSAs) or ‘non-governmental developmental actors’ (NGDAs) in this report, it all means the developmental role of such actors other than the government. A precise understanding of their role is obviously crucial for planners and development practitioners, since planning and programme implementation presuppose well-defined concepts and entities.

### 2.0. The Conceptual Framework

In order to circumscribe the role of NGDAs/NSAs in enterprise and livelihood development, it is crucial to have clarity on two things: 1) the scope of the term; and 2) the specificities of the enterprise development agenda. These aspects, however, have to be discussed in the wider context of the stage of development debate, as it exists today.

The coverage of the term is too vast, as the non-governmental actors operate in various sectors and sub sectors of the economy. While an analysis of these multiple contexts is extremely difficult, this study proposes to confine to only one focal area: enterprise development. The term “enterprise development” is not a concept which is mutually exclusive. It cuts across many sectors of the economy. However, by and large, the term “enterprise” is synonymous and is associated with the ‘industrial sector’. Therefore, any non-farm activity, from livelihood activities to relatively organized activities covered under the rubric, “micro, small and medium enterprises”, are covered in the present study.

#### 2.1. The Debate on Development Actors

Our discussion should start from the very concept of ‘development sector’ which has been used increasingly in popular parlance. Development, traditionally has been understood in terms of ‘economic development,’ non-economic factors being considered as ancillary and supportive to this core.

The debates on economic development, originally developed by Karl Marx, outlined the process of capital accumulation, and appropriation of surpluses in the erstwhile colonies, as an extension of capitalist production in the metropolis. The so-called ‘theories of economic development’, which emerged essentially from the contribution of Lewis (1954), offered a new explanation to the development process of developing countries, using “unlimited supplies of labour”, as the trigger for economic development. Improvements on the Lewisian schema were proposed in subsequent models of economic development, where non-economic factors were given significant focus.

The experience of about four decades of economic development, in developing countries, proved the inadequacy of concepts, tools, and techniques that explain the process. Thus came a crystallization of such arguments under the Brundtland Report on *Sustainable Development* (WCED, 1987). However, for the purpose of planning, we need to discuss the concepts of ‘sustainability’ and ‘development’ in operationally meaningful terms. Further, the contributory roles of various development actors need to be pinpointed.

It is well known that, the post- World War II period witnessed the hegemonic role of government in most of the developing countries of today to initiate a process of economic development intervention. In some countries, like India, major investments by the government have helped to lay down the modern foundations of their economies. Even while playing such a lead role in the development process, the state wants a participative relationship with the private sector. The private sector, in a sense, was considered as a sector composing of different actors and constituents, who provide the platform which links the people's aspirations with the government. The people's aspirations, however, are a complex subject, which needed formal articulation by actors other than the government as well. This demanded specific capabilities on the part of these actors.

The essence of what is being conveyed by the term 'development sector', therefore, has the development priorities and targets of the country as its focal point. These priorities can be, for instance, a particular percentage of growth in GDP, or a particular level of literacy, or composite indices that indicates the levels of achievement in clean environment, or level of health standards of the people. This demands an approach to development from its various dimensions i.e., economic growth, environmental sustainability, health standards, social upliftment etc. Each of these attributes can further be analyzed, and in relation to achievement of these goals, the relative contribution of an actor or a group of actors can be examined.

Despite the several forms of intermediation that is needed by a growing economy, the scope of the present study is confined to the area of **market intermediation**, where the present and potential roles of the non state actors are examined. Such an examination becomes relevant in a context where, improving the access to markets by small producers in low income countries is being increasingly considered as a route to poverty reduction and achievement of the Millennium Development Goals.

## ***2.2. Enterprise Development Agenda: The Process and the Actors***

The scope of the present research relates to a sub-set of economic sustainability, i.e., enterprise/livelihood development. Livelihoods and enterprise are part of a continuum, which will be discussed in more detail in section 2.3. In India enterprise development is a subject in which, the lead role has been played by the private sector. The government also plays an important role in providing the overall environment and support, as also in regulating the direction of public policy, in order to provide such a conducive environment. Since enterprise development is essentially a private sector subject, actors other than the state can easily communicate with the private sector, and this naturally provides significant advantages. It is in this context that the roles of non-state actors become crucial.

Given the social and economic contribution anticipated from enterprises, it is natural to have a pro-active approach by which, conditions favorable to the growth of enterprises are provided. Such an approach leads to the so called enterprise development agenda, the components of which vary from situation to situation. However, something which is common to any such agenda is the various forms of intervention through public policy and programmes. An enterprise development agenda typically should lead to action at two levels: a) micro-meso level; and b) macro-global level.

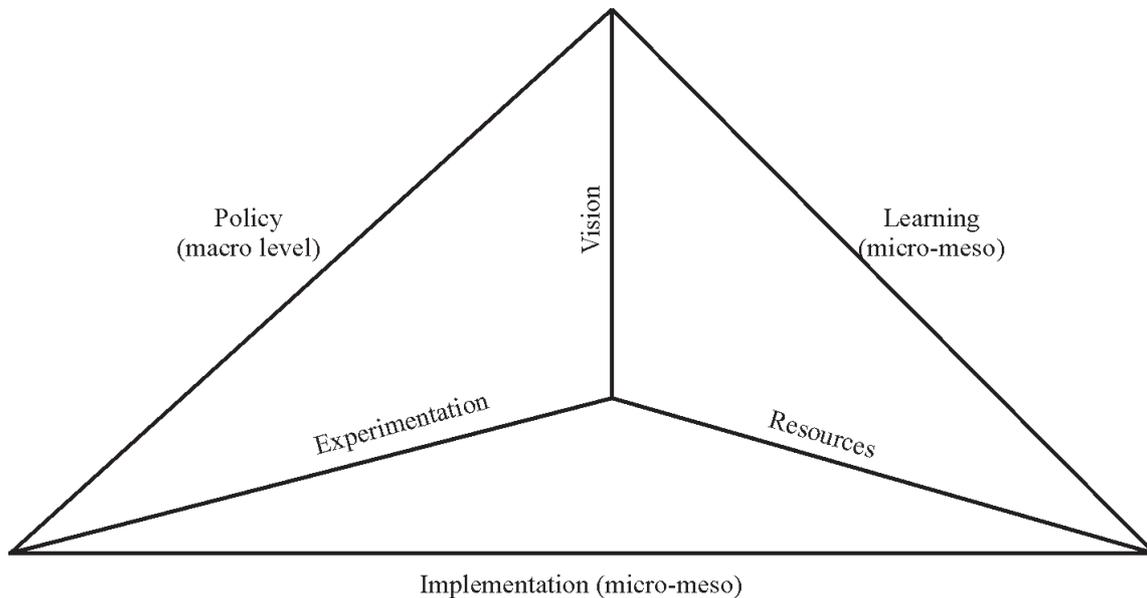
***Micro-Meso Level:*** Individuals or groups set up enterprises. At the micro-meso level, i.e., the village or district level, enterprises and entrepreneurial activities emerge out of entrepreneurial ideas, resources, and regulatory framework present at that level. The outcome of such initiatives are conditioned by the individual or regional priorities, and more so, by the opportunities available at that level.

***Macro-Global Level:*** The macro-global level is a supra-regional level, where policies are formulated and resources are made available according to priorities of a nation state, of a foreign government or donor agency having interests in the former country, or based on international conventions and agreements.

Under the above two levels, there are lead actors whose decisions influence action within or across that level. For example, at the macro-global level, lead actors control the programme and resources. However, at this level, programmes are rigid, and resources limited. The operational space available for the actors also is limited.

Given the various levels of enterprise promotion, along with the participation of various types of actors, there emerges a triangular relationship as follows:

**Fig.1 The Enterprise Development Prism**



An enterprise development agenda involves basically three components: On the one hand, there should be a vision. This vision, however, need to be supported by a willingness to experiment. Any experimentation, naturally, involves risks. Naturally, it involves resources as well. The above trilateral relationship leads to a further prisamic relationship, involving policy perspectives at the macro level, a learning process at the micro-meso level, and the implementation process *per se*.

The correspondence of vision, willingness to experiment, and funding, decides the limits of the enterprise development agenda at a particular context. Policy environment at the macro level is influenced, either by the global/country level agenda, or by the need perception as gained by the overall understanding of the grass root level situation, or of the experience gained through action at the grass root level.

The practice of an enterprise development agenda, involves the active role of various actors at these different levels. The role can be active or passive in a relative sense. The role of public policy is to harness and mobilize such role.

### **2.3. The Livelihoods to Entrepreneurship Continuum: Search for a New Theoretical Approach**

The terms, “livelihood” and “entrepreneurship” are widely used today. “Livelihoods” is a broad term, the meaning of which, is not immediately apparent. Basically, it is about how people support themselves. But, this support needs to be *sustainable*.

From the point of view of macro policy, the livelihood–entrepreneurship distinction has wider significance. It is in this context, that defining livelihoods and entrepreneurship in a development context, and identifying yardsticks for their measurement become crucial.

“Entrepreneurship”, as a ‘factor of production’, has gained enhanced attention, as the “fallacies” relating to this factor began to be addressed in academic and policy circles. Theories of entrepreneurship, as they have been taught at Management Schools, have a rigid approach. There are the myths and fallacies which they seek to correct.

At the other end, are the modern theories of private sector development (the so called” *bottom of the pyramid*” approach)(see,Prahalad, 2007), which considers that the micro end of the private sector has enormous latent potential. The question being posed is, how this potential can be tapped? Here lies the

relevance of development theory. However, development theory today virtually keeps the question open-ended.

At the third level, development planning craves for an agenda of 'inclusive economic growth', but lacks a proper theoretical framework to explain what "inclusiveness" should mean. It is in this context that defining livelihoods and entrepreneurship in a development context and finding yardsticks for their measurement become crucial.

The discussion, as above, shows that livelihoods and entrepreneurship are part of a continuum. However, from the point of view of macro policy, the livelihood- entrepreneurship distinction has wider significance. The task of development policy and planning is to distinguish between the two, with the help of relevant tools and techniques. This issue will be discussed in more detail in the next chapter.

The livelihoods status of an individual varies from situation to situation. There need to be a first cause. The first cause can be **spontaneous** or **induced**. The spontaneous option to livelihoods implies that, the individual develops a strategy of supporting himself. If the strategy is designed externally, with or without the participation of the person, it can be called an essentially *livelihood strategy*. If the strategy is sustainable, and thought out and shaped by the person himself, it can be called an *entrepreneurial strategy*. An approach, as above, can be called a functional approach. A functional approach explains the degree of entrepreneurship in terms of what it does.

In many development discourses, the two concepts are inter-changeably used. While NGOs are often comfortable with the term "livelihoods", entrepreneurship is a word often used in business circles. In many cases, entrepreneurship is used as an advanced form of livelihood as well.

From the point of view of practice, these issues are broadly discussed in the context of a start-up enterprise at the grass root level. However, from the policy angle, the key question is, how the capabilities of an individual or a group can be enhanced or polished in such a way to equip them into the entrepreneurship stream.

Amartya Sen 's framework of human flourishing has been used by several analysts to explain a real world situation with a view to developing the understanding of relationships of household livelihood and individual well- being. In undertaking this, they contribute to the advancement of the **capability approach**. Sen defines 'capabilities' as the various combinations (or vectors) of functionings that a person can achieve or could have achieved. The capability of a person reflects the alternative combination of functionings the person can achieve (Sen, 1993a: 31). Capabilities, therefore, stand for the extent of 'freedom' that a person has, in order to achieve different functionings. In this schema, development is about expanding the freedoms that people have reason to choose and value.

A question which is pertinent in this context is, does freedom by itself, help people to expand their base of capabilities in a rapidly changing economy. Crocker (1995: 163) says that, in Sen's writings, the notion of **capabilities** directly refers to people's capacities or 'internal powers'. It is in the above context that theory and the real world situation meet each other.

But, how do these concepts signify in the context of development policy and practice in India? The Eleventh Five Year Plan has "inclusive growth" as its key agenda. While on the one hand, it is necessary to ensure a satisfactory level of growth, it is also necessary to ensure that extreme forms of poverty have to be reduced. The strategy of policy intervention, therefore, need to be a mixed bag: ensuring the basic means of subsistence, on the one hand, and mentoring the creation of capabilities to ensure that, much of these means of subsistence are sustainable. The government, obviously, has the responsibility to ensure that the conditions for the creation of such capabilities prevail. Non governmental actors have a key role in this regard.

### 3.0. The Spectrum of Non-state Actors: A Functional Approach

The term, 'non-state actors' is an oxymoron, and is often described in terms of an organization/ association. Hence, the role of these actors in the economy has not yet been properly analysed. On the contrary, the non-

state actors are often depicted as agencies having an ubiquitous private agenda, and are often called "NGOs".

However, a functional examination of the role of non state actors in the realm of enterprise development would throw light upon the instrumental role they play in the development process. This subject needs to be discussed in terms of the specificities of the Indian democratic system which facilitates the functioning of such actors.

### **3.1. Operational Space**

An operational space is a precondition for the functioning of NSAs. This objective condition emerges from two sources: 1) representation; and 2) right to association.

#### **3.1.1. Representation**

In India, the agencies for regulation, promotion, and credit, and the various agencies responsible for their implementation, have been almost exclusively in the public sector. Therefore, an impression can arise, that only state actions are the decisive factor behind success of entrepreneurial activities. The primary stakeholders of enterprises at the *bottom of the pyramid* are, however, the millions of entrepreneurs, producers and workers who derive their livelihoods from the sector.

The country has some broad mechanisms, which ensure both broad-based participation by the primary stakeholders in the processes of formulating, implementing and monitoring policies that affect the small enterprises. The lack of them leads to bad policies and practice, and to the alienation of producers and workers from regulatory and promotional agencies.

Representation (often through nomination) and participation, as also, a genuine partnership between public and private actors, could lead to significant gains in the efficiency and dynamism of these activities and entities. Representation, by itself, will not help to protect the interests of these entities; the smallest producers are usually neglected. Hence, those affected by the policies can merely lobby from outside the decision-making process, which again, depends on their *visibility*.

Organizing producers and workers can thus enhance their representation and participation by enabling them to act as countervailing. While overall, those who derive their livelihoods from the non-farm sector are not well organised, it is remarkable how many such groups exist. If we also include caste-based associations or *pan-chayats*, informal guilds, self-help groups, nascent consumer groups, as well as non-governmental organizations (NGOs), which provide support to or advocate the cause of producers, the number is significant.

#### **3.1.2. Right to Association**

The right to association facilitates the germination and sustenance of various non state actors in the livelihoods-enterprise development area. They are of different types, and operate with different intensities of focus. The following are the major forms:

##### **3.1.2.1. Co-operatives**

The cooperative is an important, and probably the most common, form of producer organization in the rural non-farm sector. The initial focus of the cooperative movement was on agricultural societies (Baviskar and Attwood, 1995: 7). In the 1960s various states promoted cooperatives for traditional industries such as handicrafts and khadi and village industries. Cooperative societies were set up for artisans in wood, leather, pottery and stone, and above all, for handloom weavers.

In the year 2000-2001, there were 2393 non credit co-operatives in the country, with a total membership of 6227210 persons, and total assets worth Rs 28091248. They provided employment to the tune of 16868 persons. The majority of these were members of consumer cooperative stores (24%), milk (24%), marketing (16%), industrial (8%) and weaver (6%) cooperative societies (Gol, 1992a: 153-9). The majority of primary cooperatives are federated up to state-level organizations, mainly the apex cooperative banks and the apex

cooperative federations in various subsectors. And so the cooperative system in India is extensive, and is the best known form of association for producer-workers. However, with the exception of those in Gujarat and Maharashtra, and to some extent in Kerala, most cooperatives have failed to develop a significant role in their respective local economies or sub-sectors. In 1988-89 the non-agricultural credit societies on average had only some Rs300 of share capital, Rs600 of deposits and Rs 1 000 of loans per member. Many non-credit societies were small (with 160 members on average) and had only Rs500 of share capital and Rs2300 of working capital per member (Gol, 1992a).

### **3.1.2.2. Trade Unions**

Trade unions, while common in the formal industrial sector in India, are less common in the unorganized sectors. They have usually been formed to protect workers' interests in those sub-sectors where manufacturing activity is clustered in a geographical location, or is based on a factory mode of production. For example, there are unions among workers in the tea, bidi, match and garment sub-sectors. There are also some unions among transport and hotel employees, but even in these sub-sectors many workers are not unionized. In Tirupur knitwear industry, over a third of the workforce is not unionized even though six unions operate in the town. Moreover, most labour in other sub-sectors, such as textiles, brick kilns, construction, repairs and retail trade, is unorganized. Even the unions that do exist are usually not very powerful.

There are a few exceptions. Workers in the carpet industry around Jaipur were able to raise their wages by 2 per cent through their first ever strike in 1999. The Self-Employed Women's Association (SEWA) is a trade union representing self-employed women in Ahmedabad, Gujarat, although its members are urban based. However, the most well-organized and active trade unions in rural areas are found in the bidi sub-sector. Because of the sheer size of the workforce in this sub-sector in states like Andhra Pradesh, Karnataka, Maharashtra and Uttar Pradesh, political parties have taken an active interest in workers' organizations. As a result, the governments have introduced various policies and programmes, including welfare programmes, specially targeted at *bidi* workers, just as they have done in the handloom sub-sector.

### **3.1.2.3. MSME Associations**

There are many associations for industries in India, notably the chambers of commerce and industry, some of which date back to pre-Independence days. These form a system, with chambers or their federations at the district, state and national levels.

The role of SME Associations in the country are still not well documented. Every state, on an average, has such an association, which would mean, about 20 state level associations in the country. Besides, in every state, there are several sectoral and regional associations of entrepreneurs, such as, district level associations, cluster associations, and associations of specific localities, such as industrial estate associations.

The history of Associations of small-scale industries (SSIs) dates back to the 1950s. For example, the Tamil Nadu Small and Tiny Industries Association (TANSTIA) and the Andhra Pradesh Small-Scale Industries Association (APSSIA) were formed in 1956. Many SSI associations received strong support from the relevant state governments. Some state-level associations are federated at the regional level, and all belong to the national Federation of Associations of Small Industries of India (FASSI), which was set up in 1959 with the encouragement of the central government. Below the state-level associations are either district-level branches under the control of the former, or more autonomous bodies, either at the district level or below. So there are now five tiers forming the SSI structure at the national, regional, state, district and lower levels.

The associations, at all the different levels, have been largely engaged in lobbying activities, and in providing information to their members about government regulations and promotional activities. This narrow focus is less the fault of the associations themselves than of the environment that their member enterprises have faced, such as, the highly complex regulatory environment. In such an environment, it is not surprising that the primary role of associations of small-scale industries has been to lobby against excessive harassment of its members on the part of officials, and for ever more concessions and other benefits to be doled out.

Government agencies, in their turn, have used the associations as distribution channels for some of these benefits, for example, of controlled raw materials to individual enterprises. The associations were not only established with the support of the central or state governments, but over time, a close relationship between the governments and associations has often developed. Leaders of these organizations are regularly appointed as industry representatives on various committees, councils and governing bodies in the public sector, and the same leaders have been able to exercise considerable power by controlling access to government concessions and hand-outs.

Some SSI associations have been particularly effective, in offering demand-driven services to their members. The SSI associations nevertheless form a powerful lobbying force on behalf of their members. However, although 42 per cent of all SSIs are rural (GoI, 1992), most associations cater more for urban SSIs, and have not been very effective in representing the interests of tiny units.

Beyond the state-level SSI associations, there are some sectoral and regional associations. Some of them are active primarily in the dominant cluster in the area, such as Kancheepuram (silk) and Tirupur (knitwear) in Tamil Nadu and Surat (diamonds) in Gujarat. In addition to associations for specific sub-sectors, many industrial estates also have an association of units to liaise with the relevant government corporation managing the estate, and the various public agencies providing services like electricity. In addition to usual lobbying activities, many of them also provide information, especially on government policies, through seminars, exhibitions, publications or simply informal exchange among members. Some arbitrate disputes among members or between members and, say, public agencies; some negotiate common wages for all member enterprises (e.g. for powerloom workers); some agree common rates among members to prevent undercutting each other (e.g. among repair units in a given locality) or to create and enforce a local cartel (e.g. transport unions).

In fact, many of the associations are informal, with limited funding, and do not have professional managers and unable to provide professional services. . Of late, these regional/ sectoral associations have become the seedbed of the now popular 'Cluster Development Programmes', being implemented by the Ministries of MSME and Textiles..

The primary role of the associations has, traditionally been lobbying and liaising with governments and other public agencies. With the reduction of industrial regulation and of state involvement in promotional activities, this role of the associations is diminishing.

The new environment provides opportunities as well as threats for the associations. The main opportunity is to shift the focus of their activities to provide more direct business support and services to their members. These might include, for example, the provision of information about international trends in industry and markets, assistance with introducing better quality control and product testing, and so on. Most of these services would seek to gear members to the upcoming competition. For a discussion on such opportunities, see *Mathew(1994); ILO/ISED(2003)*.

This challenge is not easy, but evidence of the transition is becoming widespread. Associations, for example, are taking over the management of industrial estates, and are developing new ones. There are also many examples of dynamic bodies, which point to the potential that industry associations have in promoting economic development, including in the rural non-farm sector. Gujarat and Tamil Nadu are two states where industry associations appear most active and dynamic.

In many cases the enterprises involved are clustered, which makes the common provision of services through an association easier. In addition, these dynamic sub-sectors attract the larger entrepreneurs who have greater economic power, are often better educated, and have a wider understanding of the sub-sector in which they operate. They have greater know-how and management skills to deal with more complex businesses. All of these qualities also prove valuable for their industry associations.

Smaller producer-workers in the rural nonfarm sector are often widely dispersed, have limited business skills and only a limited perspective of the broader context of their sub-sector. As with the SSI associations,

most of the bodies do not cater for the tiny rural units in their respective sub-sectors. There are also local groups of smaller entrepreneurs, especially in rural towns, for example among silk reelers and twisters, cottage match units, repair units, retail traders and restaurant owners, although the role of these associations is mostly limited. In addition, there are many caste panchayats which bring together artisans in traditional sub-sectors, such as leather and pottery (as most artisanal activities are undertaken by specific castes), but these groups are not focused exclusively or even primarily on economic issues, and usually perform more social functions.

#### **3.1.2.4. Professional Institutions/BDS Providers**

The term “business development services” came into prominence, as it was used first in 2001, in the Report of the Donor Committee for Small Enterprise Development. The term includes, an array of business support services, such as training, consultancy, and advisory services, marketing, information, technology development and transfer, and business linkage promotion. BDS providers provide services directly to the SMEs. They may be individuals, private for-profit-firms, NGOs, para statal government agencies, industry associations etc.

Studies have shown that, there is a glaring mismatch between the demand for and the supply of BDS in India (**Awasthi, 1996; Mathew, 2004**). This can be explained largely in terms of the hegemony of public TCOs as the exclusive service providers for the last several decades. Moreover, the donor interventions in enterprise development in the country also is limited, having its implications on a BDS culture.

#### **3.1.2.5. Self-Help Groups**

The self-help group movement provides an ideal platform for livelihood development initiatives. SHGs are voluntary, small group structures for mutual aid, and meant for the accomplishment of a special purpose. The first SHG in India emerged in 1985. Subsequently developed into a movement, it underwent structural changes as well as in external linkages. The size of SHGs as in 2006 was 3 millions, of which, 1.6 millions were linked to banks. State wise distribution of SHGs show that, Andhra Pradesh, Tamil Nadu, Karnataka and UP stand in the forefront in terms of SHG bank linkages. While the potential of SHGs is significant, their impact on sustainable livelihoods is a matter to be debated.

#### **3.1.2.6. Government-sponsored NGOs**

NGOs promoted by governments is a more recent trend which emanated in the 1990s. With the setting up of poverty reduction projects/Missions by various state governments, institutional structures began to be set up by governments in order to offer a suitable platform for livelihoods promotion. The livelihoods agenda came to prominence from two sources. On the one hand, major donors such as the DFID, facilitated the setting up of such a platform. Another source, was the funding sources of the Union government itself. For instance, *Kudumbashree*, the State Poverty Reduction Mission in Kerala, was originally evolved out of a UNICEF programme, but subsequently has been sustained significantly through public funds. The DFID-funded Madhya Pradesh Rural livelihoods Project (MPRLP) is implemented by the MP Society for Rural Livelihoods Promotion, having the Minister for panchayati Raj, as it's Chairman. However, the partners also include 28 NGOs and several SHGs.

The hybrid model of state-sponsored NGOs, which involves the civil society organizations also in its programme, offers significant opportunities for collective learning and sharing of experience. However, their contribution to overall enhancement of organisational capacity is an aspect which need to be examined.

From the point of view of enterprise development initiatives, the state of government sponsored NGOs has a special significance. Apart from the potential they offer, it also signifies the objective situation of a relatively weak culture of private enterprise development in that region. The Country has some stories of successful states like Tamil Nadu, where effective co operation and networking among the industry associations and the bureaucracy, rather than *ad hoc* mechanisms as above, contribute significantly to the success of promotional activities. This issue will be discussed in a subsequent chapter.

## 4.0. Globalization and the Changing Policy Environment

### 4.1 Changes in the Global Environment

As noted in 2.1 above, the role of the NSAs in the present study is examined in the specific context of *market intermediation*. There are some specific reasons for this rather focused approach;

a) There has been a significant change in enterprise development policy during the past one decade, from small enterprise development, to making market systems work for the poor. Until 2000, for example, the programme of international agencies such as Practical Action (then ITDG) had been structured around technology programmes. A new 'markets and livelihoods' programmes was set up in 2003.

b) Planning requires the existence of well defined concepts and entities. Unless there is clarity of thought on possible functions of the NSAs, it is difficult to take them on as partners in development programmes.

c) At the operational level, where growth is focused, there need to be clarity on the dimensions of the so-called 'inclusive growth'. Does inclusive growth simply mean a spill over of growth benefits through welfare programmes? Or does it mean, the way growth is achieved? In the latter case, enterprise development strategies should consider both the corporate sector and the unorganized industrial sector alike.

d) The issues of development in India today are different from those of the 1960s and 1970s. The problems of poverty and exclusion have gained more complex dimensions; but, at the same time, having opportunities of better solutions as well. Inclusion cannot be ensured through public programmes alone. Technology and organisation need to play a crucial role, where, the role of NSAs become instrumental.

In order to translate the above imperative into actionable strategies, a prerequisite is to define the policy environment. What is meant by the policy environment? A policy environment is the sum total of arrangements including regulation, enabling policies and programmes which are transparent with clarity on how it functions at national, sub national and sectoral levels. Particular sets of policies can function only under an appropriate policy environment.

In the Indian context, the policy environment relating to non-state actors, till recently, was rather blurred. While, on the one hand, the role of the voluntary sector was initially defined as a loose extension of the Freedom Movement. For instance, the Planning Commission had only a rather loose perception, where it defined a few organizations, such as Bharath Sevak Samaj (BSS), as close to the programme perspectives of the Commission. Ministry of Rural Development, subsequently with the introduction of Integrated Rural Development Programme in the mid-1970s, began to view NGOs as a potential delivery agent. Hardcore agents relating to the industrial sector, such as Industry Associations, however, were perceived to share an altogether different role. An integrated view on non-state actors has come essentially through the National Policy on Voluntary Sector (NPVS) which was announced in July 2007.

### 4.2. The National Policy

The Planning Commission came out with an exclusive Policy Statement for the voluntary sector, in July 2007, against the background of the preparations for the 11<sup>th</sup> Five Year Plan. The Policy was based on a long process of consultations over a period of 2 years. An understanding of the context and future implications of the Policy necessitates a brief description on the changes in the international environment in the recent past.

#### 4.2.1 International Background

Three crucial factors which need to be discussed in the above context are the following;

- 1) **Trade and Development:** Economic policy at the international level, under an increasingly globalised environment, has shifted from economic development *per se*, to *development and poverty reduction through trade*.
- 2) **NGO Partnerships:** The NGOs of the North and that of the South began to be increasingly working on a partnership mode. Such partnership has been articulated to bring the benefits based on their

comparative advantages (INTRAC, 2001). Such partnership, is in turn, articulated to be related to their proximity to their respective constituencies. Northern NGOs are well- placed to engage with the donor public, and to undertake policy influencing and advocacy, whereas ,southern NGOs have the benefit of local knowledge and presence (Kazibwe, 2000).

- 3) **Advocacy Role:** NGOs in India , at least those operating at the national level , and especially those having significant connections with the government , began to play an advocacy role , though the extent of this role is much less significant in the Indian context.

#### 4.2.2 NPVS: A Brief Outline

The National Policy on the Voluntary Sector (NPVS) is committed “to encourage, enable and empower an independent, creative and effective voluntary sector, with diversity in form and function, so that it can contribute to the social, cultural and economic advancement of the people of India”. According to the NPVS, voluntary organisations (VOs) mean to include organizations engaged in public service, based on ethical, cultural, social, economic, political, religious, spiritual, philanthropic or scientific and technological considerations. VOs include formal as well as informal groups, such as: community- based organizations (CBOs); non-governmental development organizations (NGDOs); charitable organizations; support organizations; networks or federations of such organizations; as well as professional membership associations.

The Policy typologizes the voluntary organisations as the following: a)private in nature, i.e., separate from Government; b) not-for-profit in nature; c)self-governing, i.e., not controlled by government; and d) registered or informal groups, with defined aims and objectives.

The Policy Statement appreciates the fact that, the voluntary sector has contributed significantly to finding innovative solutions to poverty, deprivation, discrimination and exclusion, through means such as awareness raising, social mobilization, service delivery, training, research, and advocacy. The voluntary sector has been serving as an effective link between the people and the Government. This policy recognizes the important role that the voluntary sector has to play in various areas and affirms the growing need for collaboration with the voluntary sector by the Government, as well as by the private sector, at the local, provincial and national levels.

A critical review of the Policy indicates two broad approaches: On the one hand, the Policy has been criticized in terms of its role in formalizing a dominant-dependant relationship between the government and the voluntary sector. The other view point is that, the Policy is forward-looking, and reflects the emerging needs of the country. Beyond such contradicting positions, the public policy approach relating to the role of the voluntary sector has been widely criticized in terms of two key policy initiatives of the recent past: (a) resource mobilization of voluntary agencies through the foreign funding route; and (b) their resource-base.

The NPVS aims at improving the engagement between the government and the voluntary sector, in recognition of the latter’s developmental role. Finalized after a lengthy consultation process, the “landmark policy”, “formally acknowledge the existence and the role of the voluntary sector” (Tandon 2007: 38). It clarifies what has often been an ambiguous and fluctuating relationship between the state and VOs, and sets guidelines on how they can work together for better development outcomes.

The overall approach of the Policy and its role raises some issues of vital importance which are relevant to be debated against the present phase of development of the country:

- (a) Whether there has been a major role shift relating to the voluntary sector during the past one and half decades?
- (b) Has the voluntary sector been able to assert its developmental role, rather than constantly looking for a meaningful space?
- (c) Is the role of the sector quantifiable and subject to meaningful interpretation, so that they can adorn a concrete space in economic policy architecture?

- (d) What can be done to make the sector's role transparent so that their credibility rating can be improved?

These and related issues are of critical relevance to India, in its present stage of development, characterized by the twin challenges of achieving inclusive growth on the one hand, and addressing the worst ever economic crisis that is round the corner. The creativity that is embedded in the Indian people, their spirit of enterprise, is the lever of change which we should look forward to.

The issues, as above, have been continuously brought to the fore through joint initiatives of the Planning Commission and the Institute of Small Enterprises and Development, Cochin. A joint Consultative Forum was initiated with the National Policy Conference on the Voluntary Sector, which was held at Cochin on June 10, 2008. The present research draws upon the thrusts and concerns of the above Conference, as well.

### 5.0. Relevance for Planning

The Mid term Review of the Eleventh Five Year Plan, as also the the National Development Council that deliberated on the perspectives of the Twelfth Five Year Plan, have focused significantly on the importance and urgency of job creation within a limited span of time. Growth with inclusion, on the strategy side, demands the rapid expansion of the MSME base of the country. The vitality in this context is more on the scaling up and broad basing the base of enterprise system, rather than scaling up the enterprises. Given the large base of MSME development programmes in the country, the urgency today is to improve and strengthen the **delivery system**.

The entrepreneurship-development nexus provides some perspective on why entrepreneurship has become more important in recent years. The process of industrialization today, is not driven by resource endowments alone. It is increasingly being triggered by knowledge, technology, skills, information, networking, etc., which convert comparative advantages into competitiveness. Dovetailing those factors is indeed the responsibility of the State, as part of policy and institutional direction to foster private sector-led industrial expansion.

Multi-stakeholder partnerships entail involvement of government, industry associations, business groups, academics, scientists, local communities and inter-and non-governmental organisations to forge partnerships to enhance competitiveness. Such alliances, with a wide range of experience and expertise, contribute significantly by looking at the entire supply chain, where all stakeholders play their roles efficiently.

Programmes such as the National manufacturing Competitiveness Programme (NMCP) of the Ministry of MSME, presuppose the presence of capabilities at the grass root level that should emerge from the partnership of government and relevant non state actors. Such partnerships can contribute, to a significant extent, for improvement of the delivery system. But the questions as to **who the relevant partners are, and what their capabilities and potential are**, need answers.

The enhanced thrust on functional literacy today, implies a focus on relevant production skills and production-related service capabilities actively involved in processing, design and marketing innovation, and in commercializing new knowledge. Governments, which treat knowledge and skills as factors of production, play a major role in accelerating the speed and profile of the industrial development process of a country.

The above skills and capabilities today stem from national innovation systems, in which various stake holders, such as, universities, institutions, and dynamic firms and civil society organisations interact with each other, in order to enhance skills that are capable of commercializing new knowledge. If the pattern of industrial production today does not create the demand for the type of knowledge and skills required for integrating the local value chain into the global value chain, the system certainly fails.

From the point of view of planning, the above tiers and levels of development action have significant implications. Every development actor is linked, in some way or the other, to the above levels and tiers. Therefore, the capacity of each such actor has implications on the quality of development interventions and their output.

The non-state actors, as an identified category, has a crucial role to play in Indian planning from two angles: 1) structural angle; and 2) efficiency angle.

### **5.1. Structural Reasons**

The structural reasons relate to the built-in features of the enterprise system of the country itself. The most exceptional and striking feature is the large contribution of the unorganized sector in manufacturing and services. According to the Fifth Economic Census (GOI,2008), this sector accounts for 60 per cent of the GDP and about 25 per cent of the total work force, which work out to about eleven crore people. Five industry divisions engaged over 70 per cent of all workers in unorganized manufacturing units. Such heavily decentralized character of the enterprise system, as also their significant labour absorption, demands the massive involvement of competent actors in different promotional and supportive roles. Given the limits of the government departments, there is enormous need for professional action from outside, an area least attended so far.

### **5.2. Efficiency Argument**

With the progressive down-sizing of the government itself, there has been a significant decline in the efficiency of programme implementation in various Ministries and Departments. For maintaining at least the present level of efficiency in programme implementation, it is necessary to harness the capabilities of the non-state actors on a partnership mode. However, the specific roles at the programme and sectoral levels are crucial for arriving at actionable strategies with their involvement.

## **6.0 Chapter Scheme**

While this preliminary chapter circumscribes the overall context in which the present study is situated, the following nine chapters dwell into the five specific objectives.

Chapter II and III seek to analyse the system of NSAs, and their overall structure and linkages. The methodological approach of the study is discussed in detail by these two chapters.

The specific capabilities of NSAs are a crucial and decisive determinant of the opportunities of partnership both with government and the corporate sector.

Chapter IV discusses the opportunities of collaboration between the government and the NSAs. It also spells out the specific capabilities that they can offer and the demand for such capabilities.

Chapter V continues with the discussion in the previous chapter and examines how the NSA role can be harnessed in the wider context of private sector development – a demand-led, rather than supply side approach. The role of a Responsible Business model is further discussed.

Chapter VI discussed the credibility issues. Accreditation system for NGOs is in a rudimentary stage in the Indian context. An approach to accreditation is discussed in this chapter.

Chapter IX discusses the issue of accreditation and monitoring, not simply from an administrative angle, but from the point of view of development imperatives. This study consider accreditations and monitoring as two inter related subjects.

Chapters VI, VII and VIII discusses the objective and subjective conditions for a PPP relations. Besides, Chapter VII examines in detail, the specific schemes in which partnership is feasible and worthwhile.

Attempts have been made to make this Report analytically rigorous and illustrative. Case studies presented at the end of the report, as also the boxes presented at appropriate places.

## **7.0. Conclusion**

While ‘sustainability’ is a catch word of recent times, the more recent phase of globalisation has produced some important streams of social intervention that are essentially unsustainable. Micro finance and start-up entrepreneurship programmes are examples. The inherent weaknesses of these two interventionist programmes were exposed during the post-Lehman period. The more recent experience of public programmes and their implementation, urges us for a re-reading on the role of various stake holders. In this context, a closer understanding of non-state actors become all the more important.

# 2

## The Purpose and Scope of the Research

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### 1.0. Introduction

This research project should be understood in a specific context, which has two broad variants: First, the development experience of India has undergone major changes during the past one decade. Growth in GDP has taken place to a commendable level of more than 8%, compared to the Hindu growth rate, which was cherished, commendable by Indian economists for several decades following Independence. The achievement of a different growth path warrants new developmental opportunities and threats for the country. The state, by itself, cannot meet the aspirations of the people fully, thereby demanding the involvement and support of non-state actors. A second, but more immediate context is the present global economic crisis that demands innovative solutions. Though India has not been much affected, the adverse spill over effects in some of the subsectors need to be contained. Government, by itself, cannot arrive at such solutions, especially in a context where the burden goes largely to the poorer sections of society.

### 2.0. Problem

The role of the non-state development actors can be examined broadly in two contexts: a) livelihood context; and b) enterprise context. While incomes and opportunities are the common threads, they are influenced by two external factors: 1) markets; and 2) technology.

**2.1. Livelihood angle:** The pursuit of pro-poor growth (sometimes called shared or “inclusive” growth) has been central to development thinking and practice today. It reflects two concerns that emerged in the 1990s: 1) the phase of growth in developing countries for a catch up; and 2) poverty reduction (a goal given concrete expression in the Millennium Development Goals).

Why does growth not always transmit its benefits to the poor? In a market economy, the answers lie in the degree of access that the poor have to markets, and the terms on which they participate in such markets. This can be broken down into the following elements:

- Lack of physical access – some people are effectively unable to take advantage of opportunities owing to the costs of reaching the market;
- Market failures – particularly in the cases of finance, land, and labour, such failures mean that the poor cannot obtain the resources needed to invest and innovate;
- Lack of human capital of the poor – low levels of basic education and vocational skills, and higher levels of ill-health, often leave the poor in no position to get better-paid jobs; and
- Exclusion – discrimination on grounds of race and ethnicity, language, religion, caste, and gender can mean people are excluded from jobs and public services.

In addition, the vulnerability of the poor to a range of hazards, makes it too risky for them to invest, innovate, specialize, and otherwise take up economic opportunities. Indeed, shocks to the vulnerable poor are a major reason for poverty, depriving them of assets and preventing them from working.

Inequality can be a problem in itself, given its potential to undermine the confidence of the poor and to fuel political discontent. But it may also reduce growth through credit market imperfections that exclude the poor, or from a political economy in which policy distortions arise from the lobbying of the rich. Inequality is usually associated with a low elasticity of growth to poverty reduction. This arises when inequality of

opportunity is embedded in society, so that the poor are denied the assets by which they might build their livelihoods, and are disadvantaged – indeed, in some cases face outright discrimination – in markets. Not only do the poor suffer, but so too does the economy as a whole, since the working poor are unable to contribute substantially

Economic growth depends on incentives to invest and raise productivity, which in turn require: a stable macro-economy; institutions that allocate property rights, lower transaction costs, and permit organised production in companies and collectives; and ‘good-enough’ governance that makes policy predictable, reins in the worst excesses of rent-seeking and corruption, and delivers public goods and services and a proactive role of the government at national, state and local levels..

Poverty reduction according to the dominant view of today, requires: providing physical access to markets – especially in the case of lag-ging regions; remedying failures in markets relating to factors such as credit that make it difficult for people to obtain the resources needed to invest and innovate; investing in the health and education of the entire population, and especially of women, those living in rural and remote areas, and groups that suffer from discrimination; and also countering discrimination, especially in access to public services and jobs.

A livelihood approach is a developmental approach where there is much greater focus on the social aspects of development. In such an approach, some of the questions of development remain unanswered. In a livelihoods approach, the focus of development intervention is, the **assets** and the **options** people possess in practice, in order to pursue alternative activities, to generate the income level required for survival. There are several critical constraints in this regard. A micro finance institution, for instance, considers finance as the critical constraint in this regard, and seeks to provide solutions. Given the financial solutions, it is assumed that the individual is completely free to take decisions, either individually, or as a group, to engage in particular economic activities, or “enterprises”.

**2.2. Enterprise Angle:** An enterprise, by definition, is an undertaking, especially one of some scope, complication, and risk. The driving force in this context, is the **capabilities**, not the **assets per se**. Acquiring capabilities, which includes a variety of hard and soft skills such as, negotiation skills, marketing, personnel management etc., is, a rare area where, external support can lead to significant qualitative changes. Such rare skills are not generally present in all mentors, or NGOs that are good at organization and mobilization. The relatively new area called ‘business development services (BDS)’ is more relevant here.

The enterprise angle has two variants. First, self employment is conceived as a major subset of employment promotion, and of development in specific. This is the rationale behind public MSME development programmes and entrepreneurship development programmes.

Secondly, as suggested by some recent studies, multinational enterprises (MNEs) profit-seeking private-sector organizations that create value through operations that span national boundaries and governments, also play important roles in crafting institutional settings that govern firms, generally are considered the focal actors in IB (Buckley and Ghauri, 2004), and the factors that determine their success or failure (Peng, 2004).

### 3.0. Objectives

#### 3.1. General

The main objective of this study is to develop a partnership agenda for development interventions, where the government, private sector, and the non-state development actors can meaningfully coexist and collaborate, either under a *responsible business* model, or under public programmes, or both.

#### 3.2. Specific

The specific objectives are the following:

- 1) To understand the system of non state actors in the specific domain of enterprise development, and to identify their tiers, categories and sub-categories across the country;

- 2) To identify a set of national collaborative programmes, where the government and the non-state development actors can meaningfully collaborate;
- 3) To explore the opportunities of using a responsible business framework and actors for the achievement of the above goals;
- 4) To develop an appropriate methodology for accreditation of such organizations for the above purpose; and
- 5) To develop a monitoring system relevant to the context, as cited above.

#### 4.0. Scope of the Study

Enterprise development is an extremely complex area involving intricate inter-sectoral and intra-sectoral linkages, both at the functional and policy levels. While the usage of specific concepts may not be sufficient to convey the full meaning and scope of what is being discussed under this rubric, we need to also consider all the relevant concepts that have often been discussed.

The term ‘third sector’ or ‘development sector’ is often used because it appears as a neutral term, free of *a priori* link with any theoretical or ideological tradition. This, however, implies that the same word, ‘third sector’, can have different meanings.

According to the traditional definition, often found in the US, only those organisations that do not make a surplus and/or do not distribute it among their members belong to the third sector. However, according to a broader definition, the deciding criterion is whether the potential surplus is used and reinvested alongside social criteria. This is ensured through having the organisation governed by stakeholders with a multi-goal agenda, or by a set of different stakeholders, who have to agree on a balanced set of material goals or other purposes; such organisations would, then, not have to be non-profit, but they would have to be not-for-profit. This second definition is mostly linked with a view that acknowledges that many third sector organisations have an important economic dimension and an economic purpose; this is the case of cooperatives and mutual societies, but as well of new and other forms of “social enterprises”; similarly, nowadays, many voluntary and charity organisations can also be seen as different forms of organizing actions with a clear economic dimension— as contributors to a different, “social” or “solidarity-based” economy.

The boundaries between sectors are often hard to draw, and that there are “grey zones” of transition; they also underpin a viewpoint which argues that it is not the total absence of state concerns and profit considerations which defines a third sector organization, but rather the degree to which these motives are outbalanced by other ones.

In Japan, since the 1980s, the third sector (*Romanized Daisan*) refers to joint corporations invested both by the public sector and private sector. The Cabinet Office of the British government has an Office of the Third Sector that defines the “third sector” as “the place between State and (the) private sector”. The presence of a large non-profit sector is sometimes seen as an indicator of a healthy economy in local and national financial measurements.

The National Policy on Voluntary Sector has a comprehensive definition of the non-state development actors, covering a variety of organizations. However, in the area of enterprise development and livelihood promotion, the initiatives are rather polarized, with private initiatives being confined only to a few areas. While there is a hegemonic role of the government in enterprise promotion (especially through MSME programmes) in the country, the activities of the non governmental actors, in this area, are seriously constrained. Besides, the government itself channels several of the public programmes through publicly constituted societies, Section 25 companies etc. Given these constraints, the activities initiated by the nongovernmental development organizations, though rare, have a special significance in the Indian context.

By non governmental actors, the present study means, NGOs, SME Associations, micro finance institutions involved in enterprise development activities, entrepreneurship training institutions, BDS providers, and donor agencies involved in the promotion and financing of these agencies, research and development institutions, think-tanks etc. In most discussions on “private sector”, this heterogeneity of actors do not get due attention. The present study has the important purpose of capturing this heterogeneity.

## 5.0. Methodology

### 5.1. Type and Method

Economic planning requires a synergy of both the *enterprise angle* and the *development angle*, as above. While the latter angle has gained much importance in the past, the intricacies of the enterprise angle have not received due importance so far. This project looks into such relatively neglected aspects, while appreciating the due role of the social dimensions of development. Therefore, the methodology of this study is tuned to capture these two angles. In an operationally meaningful way, this can be captured by focusing on the **key functional areas** of enterprise development, by: 1) comparing the capabilities of each organization in relation to the existing demand; and 2) the overall performance of the networks of NSAs in this regard. This, alternatively, gives indications as to how public programmes need to be restructured in order to ensure their meaningful participation, as also, as to how their capabilities have to be enhanced.

This study has three major tasks: 1) identifying and typologising of non-state development organisations at different levels; 2) analysis of their activity spectrum, and identification of linkages and focal points; and 3) identification of appropriate individual organisations that can be involved in various developmental tasks and public programmes. These key tasks necessitate the use of an integrated set of tools and techniques. Hence, the study required extensive survey of literature, scanning of macro level data, informal discussions and primary level data collection.

#### 5.1.1. Secondary Data

There is an estimated 12 lakh voluntary organizations and 160 lakh volunteers in India (Kumar, 2008). However, secondary data of a directly usable nature is not available. Therefore, a data frame was arrived at using a method called ‘trial and error listing’, in the following manner:

- a) *Primary listing of Data Sources:* A list of 11 sources of data on NSAs was selected for mining of data (Planning Commission, CAPART, SIDBI, NABARD, Ministry of Textiles, KVIC, Ministry of MSME, UNDP Solution Exchange, UNIDO, ILO, Ministry of Rural Development).
- b) *Comparison of Data Sets:* Data available from these sources were compared, filtered, and a pre-selection was done.
- c) *Authentication:* The pre-selected data was authenticated at the national and state levels with the six relevant official enterprise and livelihood promotion agencies (Office of the DC (MSME), State Directorates of Industries, NABARD, SIDBI, KVIC, Rural Development Departments).
- d) *Confirmation and Validation:* This was done through random checks through telephone, email or letter, and through best judgement of the researchers.

#### 5.1.2 The Universe and its Characteristics

The primary task of the present study is to **identify a subset of the universe identified by the NPVS, ie, the organizations that are promoting or involving in enterprise and entrepreneurship development activities.** With this objective in view, data available through the above method was cross-verified, and were used for the construction of such a data frame. Informal discussions and serious desk research have contributed significantly to this process. Such construction of a data frame provided the inputs for a sample study.

The universe, thus identified, is heterogeneous. On the one hand, are the organizations that are multilateral or bilateral. There are also large national level organizations. Regional and local organizations form the base of the pyramid.

Functionally speaking, this list of organizations consist broadly of the following categories: 1) technology; 2) micro finance; 3) research and policy support; 4) business development services; 5) entrepreneurship education; and 6) lobbying.

**5.1.3. The Head –count Technique**

The fact that a particular organization is “recommended” by an official agency, cannot be the guarantee for including that organization in our list. Therefore, a scientific head- count methodology is needed. Evolving this methodology, however, was really complex for two reasons:

(a) *The Mentors and their Role:* Most mentor organizations claim to be experts in enterprise promotion, even while they simply act as delivery agents of government programmes or channels of donor resources. The capability and contribution of government departments, in some cases, are limited, either for lack of expertise, lack of methodology, or because of special reasons of favouring/ not favouring particular organisations (For example, in some states, there are Section-25 companies constituted by the government, meant essentially for channelising Central funds).

(b) *The Actor’s Claims:* Many actors often claim themselves to be experts in enterprise development activities, while they do not actually have the necessary capabilities, nor actually initiate anything worthwhile. However, by simple reason of patronage, they get stamped as “enterprise promotion agencies”. For example, there are several NGOs that claim themselves to be “EDP organizations”, for the simple reason that they have conducted some short-term training programmes (eg: PMEGP training).

Considering these ambiguities, we adopted the following methodology of distinguishing enterprise promotion agencies with the help of relevant composite indices. The steps involved were as follows:

**Stage I: Identification of key Functional Areas (Communities):** Functional areas are those areas of intervention which, directly or indirectly, contribute to the enterprise development process. The relevant functional areas in our context were identified as follows:



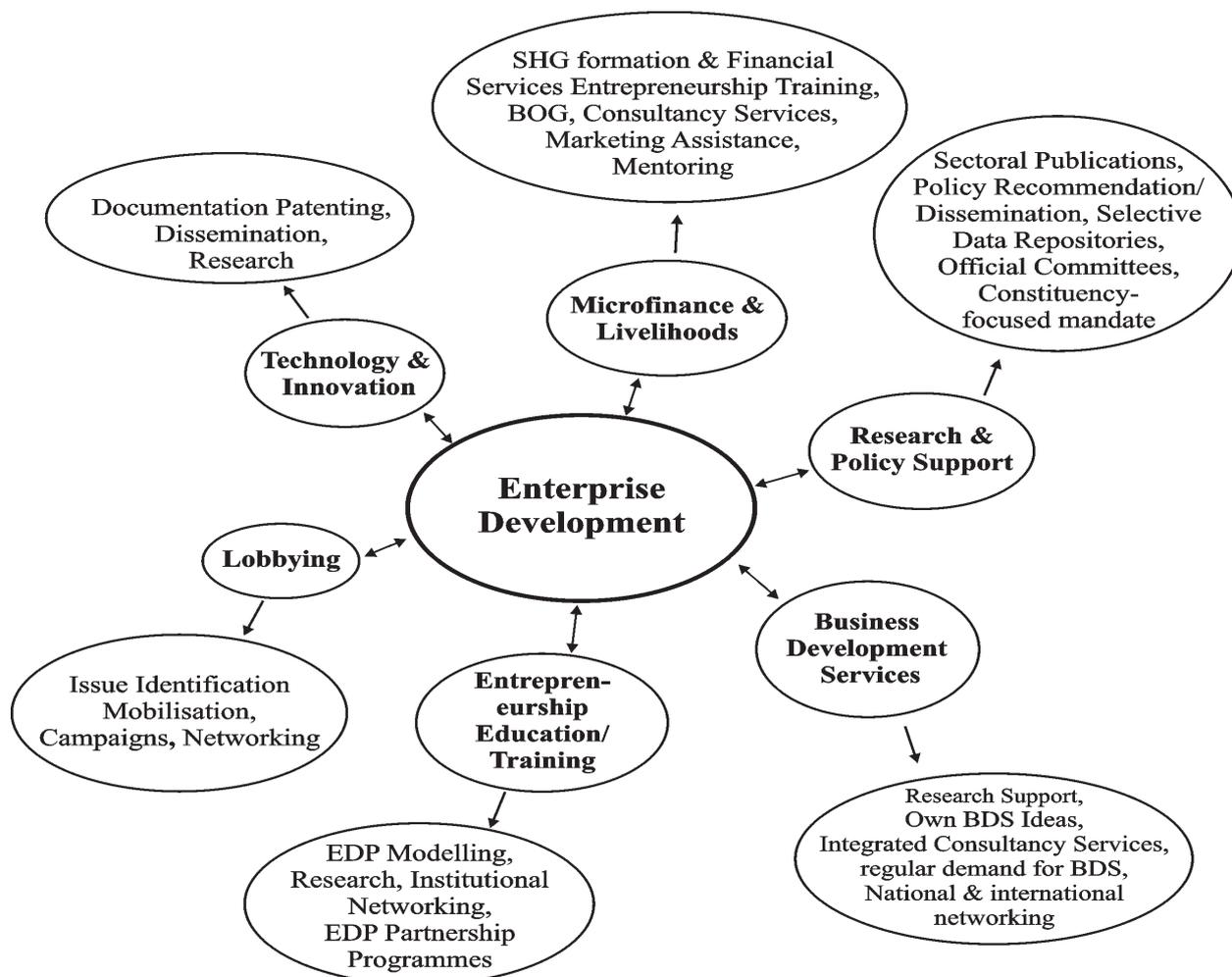
There are six communities, as depicted above, which explain the scope of the enterprise development process.

**Stage II: Determination of the Percolation Effect:** The simple fact that, an organization happened to get involved in any one of these activities, does not mean that it can be categorized as an enterprise development agency. The necessary condition is a *percolation effect*, which such an intervention has triggered/has the potential to trigger. For instance, the fact that an organization has conducted one or two EDPs, does not make it an entrepreneurship promotion institution. It can be a casual event, in the sense that it might have accidentally got some funds meant for running entrepreneurship development programmes. The percolation effect necessitates that the organization gets involved continuously in more than one entrepreneurship-related activity, such as mentoring, escort services, consultancy etc. The necessary and sufficient conditions, in this context, are given in the following chart.

Fulfillment of both the necessary and sufficient conditions by an organization qualifies it to be included as an enterprise promoting agency. Only those institutions have been listed in the present study. A list so prepared, serves two important purposes: On the one hand, it facilitates an understanding of organizations according to important functional areas, called “communities”. Secondly, it provides a frame of detailed sampling exercises. Thus, typologies of non governmental actors in enterprise development were arrived at.

Based on the above rigorous exercise, a primary listing of organizations was done, based on their key trigger areas (Table 2.1). This data- base is useful for any further studies on the subject.

Since the construction of this data frame itself was a difficult task, and involved significant filtering of data from various sources, further stages of the study were focused on purposive selection of samples.



### 5.3. Data base

The focus of this study is on networks of organisations, rather than on individual organisations. This is because, unlike the private sector and the Government, it is networking that empowers the NGDAs to expand, diversify and grow. Therefore, the study is focused on the predominant categories (as elaborated below), which a particular NGDA belong to, as the starting point of investigation. The categories identified were: 1) International; 2) National; 3) Regional- Local. These categories were situated further at two levels, (ie, micro-meso level, and macro- global level), for further analysis. The actual field research was organized as follows:

#### 5.3.1. International Organizations

All international organizations involved in livelihood and enterprise promotion, and having a presence in India, were listed first (see Annexure I). This includes, multilateral and bilateral organizations, as also individual organizations. Unlike the national and regional/state level organisations, at the operational level, they have both private and public nature, because of their funding linkages. Various organizations of the UN system, as also private donor organizations belong to this category. Similarly, various foreign embassies, through their ODA widows, support Indian organizations. While this is a mixed bag of private and public organizations, their activities and support have a special relevance and significance in shaping the programme and activities of Indian non governmental actors.

**Table: 2.1 Distributions of NSAs in Enterprise Development: All-India**

State	No. of Organisations			Total
	Regional/Local	National	International	
Andhra Pradesh	157	18	11	186
Arunachal Pradesh	3	-	-	4
Assam	32	-	1	33
Bihar	42	3	2	47
Chandigarh	3	1	-	4
Chattisgarh	13	-	-	13
Delhi	181	52	56	289
Goa	2	-	-	2
Gujarat	86	7	7	100
Haryana	33	2	9	44
Himachal Pradesh	14	-	-	14
Jammu & Kashmir	3	-	-	3
Jharkhand	41	2	-	43
Karnataka	115	10	13	138
Kerala	38	1	2	41
Madhya Pradesh	59	2	-	61
Maharashtra	171	16	18	205
Manipur	9	-	-	9
Meghalaya	5	-	-	5
Mizoram	2	-	-	2
Nagaland	4	-	-	4
Orissa	131	5	5	141
Pondichery	-	-	1	1
Punjab	11	1	-	12
Rajasthan	60	1	3	64
Sikkim	0	1	-	1
Tamil Nadu	187	9	3	199
Tripura	2	-	-	3
Uttar Pradesh	129	7	3	139
Uttarakhand	16	1	-	17
Uttaranchal	29	-	2	31
West Bengal	102	5	4	111
Other Countries	-	-	81	81
<b>TOTAL</b>	<b>1680</b>	<b>144</b>	<b>221</b>	<b>2045</b>

*Note: This list includes international organizations with headquarters elsewhere also*

*Source: Survey Data*

### 5.3.2. *National Organisations*

National organizations are defined as those organizations that are constituted with a national mandate, or are having significant programme of a national nature. A detailed list of national organizations was prepared using data available from various sources (see Annexure II). These organizations mobilize their resources either from indigeneous or foreign sources or both, and engage in programmes that are national or even international.

### 5.3.3. *Regional and Local(R&L) Organisations*

Regional organizations are those organizations that work in one or more states, but having an essentially region-focused programme. Local organisations are those having area-focused programme and operating in only one or more district of a State. Since the R&L organizations form the base of the pyramid, and that their capabilities and activities shape the quality of programme implementation, the more dtailed field studies are focused on data available from these organizations.

## 6.0. **Review of Literature**

This project necessitates review of literature from a variety of sources. Considering the multidimensional character of the problem at hand, this survey of literature covers the following broad areas:

### 6.1. *Studies on the Role of Voluntary Sector*

There is a wealth of literature on the voluntary sector or the third sector, and its contributions. Much of these studies are in the context of the developed countries. Wilson et.al (2007) examines the market role of NGOs and identifies some options for further dialogue and collaborative research. The focus of this study is primarily on UK NGOs, working in different roles in developing countries to promote access to markets by small producers. The study considers the range and evolution of NGO interventions in markets. It also concludes that there are reasons why NGOs might be better placed than governments to work with these small producers. The study examines in detail, two areas of successful initiatives: a) Fair Trade; and b) Microfinance. Such relations between the larger NGOs in the North and smaller NGOs in the South, has also been discussed in a North -South partnership context by INTRAC (2001). Such partnership between NGOs has become a key part of international development process. The study points out that, such partnerships go beyond time-bound and discrete interventions, such as the classic development projects. It is the complex combination of the organizational nature of the partnership, with its intrinsically relational dimensions that lies at the heart of the advantages of partnership.

Theoretical discussion on how to define a third sector is available from several studies (see, for instance, IIED(2007). The defining characteristics of NGOs in the market context has been discussed by Mary Anne in the market context. Given that there are a number of definitions and typologies of NGOs, what distinguishes NGOs from government agencies or private sector entities is, their emphasis on achieving their *mission* rather than *public policy* goals or profit maximization. This means that, their effectiveness is judged by not maximization of returns for shareholders, but by the accomplishment of its mission. It also means that they are accountable not to an electorate, nor to shareholders, but to multiple constituencies. The relationship between the voluntary sector and the government is another crucial area of debates. There are several country studies which look into the methodologies of the state- NGO linkages, as also of accreditation and monitoring. The Dutch model of Programme Agreements between the government and the international

NGOs, is an important example of how non-state development actors play a key role in carrying forward the agenda of public policy in that country.

In the Indian context, there are not many studies which look into the role of NGOs in the development process. However, the initiative of VANI has been documented. VANI is reported to have a base of 2500 non-governmental organizations, spread out in parts of the country. It strives to be a platform for national level advocacy on issues and policies confronting the development sector. It represents NGOs' concerns and issues through advocacy, networking and sensitizing initiatives. It also acts as a platform that promotes voluntarism and creates space for voluntary action.

There are also some studies which have documented CSR programmes involving voluntary organizations. However, one needs to draw meaningful lessons out of them.

The Working Group on voluntary sector, appointed by the Planning Commission, has come out with several recommendations on harnessing the potential of the voluntary sector. Following this, in the 11<sup>th</sup> Five Year Plan, another steering committee was constituted, the deliberations of which, subsequently resulted in the National Policy on Voluntary Sector (NPVS). The NPVS provides an excellent framework for developing sector-specific development strategies involving the voluntary sector. The present project is an initiative of the kind, focusing on enterprise and livelihoods.

## ***6.2. Studies on Enterprise Development Policies and Strategies***

Small enterprises and livelihoods have been areas of academic debates since the Second Five Year Plan. Many of these studies have looked into the process of strategy development and the role of various actors including the non-state actors.

Unlike in many other developing countries, the Central Bank of the country, as also the Planning Commission, have appointed several committees to look into the developmental problems of the SME sector and have come out with significant recommendations. The recommendations of the Abid Hussain Committee, and the S.P. Gupta Committee deserve special mention.

The cluster development strategies which became prominent since the late 1980s, has contributed to significant literature (see for example, Das, 2005). These studies obviously throw light upon the present and potential role of various non-state actors in enterprise development.

## ***6.3. Literature on Overseas Development Assistance***

Overseas development assistance programme, until the 1990s were largely focused on social sectors such as education health etc. However, with the prominence of microfinance movement, this focus underwent a major change. The creation of the microfinance platform, necessitates the development of enterprise as a natural corollary, thereby triggering a search for relevant actors, as on today, the non-state actors are considered as more effective in performing this role.

The question of international partnerships in NGOs is discussed by many studies (see INTRAC, 2001). There has been little empirical research on what NGOs actually mean by partnership, how they implement it in practice, and the challenges they face in developing and managing effective partnerships. INTRAC has done some studies on North-South partnerships. According to these studies, three types of differences, ie, funding based differences, capacity-based differences, and trust-based differences, provide an objective ground for such partnerships.

The Report of the Donor Committee on Enterprise Development, and the subsequent literature that emerged from that, forms a rich source of literature on the subject. The various reports of the ILO on Business Development Services, complement the work of the Donor Committee.

The active debates in the columns of the international journal, *D & C*, provide a rich source of debates on issues of donor policies.

With the change of government in the United States, under the leadership of Obama, implies a significant shift in overseas development policy, with implications on countries like India. The election manifesto of the Democratic Party, and the significant attention gained by the US administration matters a lot in redefining the role of donors as also or recipient countries.

#### ***6.4. International Literature on Private Sector Development and NGO Roles***

Following the contributions by scholars like C.K. Prahalad, as well as the UN Report on private sector development, there has been a significant attention towards private sector development. A realization of this agenda demands the supply of a large number of actors other than the government, who can kick-start the bottom of the pyramid. The other side of the story is the findings of the International Labour Organization relating to world employment. The declining employment opportunities and the emerging regional inequalities, necessitates a redefinition of the role of various actors who can perform a meaningful role.

Drucker (Drucker, 1990) suggests that the nonprofit sector provides an excellent outlet for a variety of society's labor and skills. It has also been predicted that the third sector becoming the predominate sector in society, as the knowledge class overcame the effects of the private sector (Bell, 1976). This presently holds true in a number of European countries. According to a recent study, the Netherlands has a largest third sector of 20 countries across Europe. In Ireland, contributing 9.8 per cent of GDP. In the Non Profit Sector accounts for 8.8 % of GDP. In Sweden, the nonprofit sector is attributed with fostering a nationwide social change towards progressive economic, social and cultural policies, which in Italy the third sector is increasingly viewed as a primary employment source for the entire country.

According to Kogut (2003), nongovernmental organizations (NGOs) - the civil society counterparts of MNEs and governments—acts as a third key set of players in value creation and governance around the world. The conclusions about the role of NGOs in global value creation and governance can be tempered by delineating important limits to their efficacy and growth.

Building on this foundation, there are some studies which identify what we believe are among the most important questions raised by broadening our notion of IB context to include non-state, non-firm actors: how global society is/can be governed, how value is created globally (and by whom), and how NGOs interact with firms and governments and their related organizations in governance and value creation. (Teegen *et.al*, 2004)

#### ***6.5 Voluntary Sector Policy***

While the present research is against the background of National Policy on Voluntary Sector, it is important to examine the international background of the Policy, as also its implications in the Indian context. The international studies in the area have focused on two key sub themes of the subject: 1) market integration role of voluntary organization; and 2) relation between the Northern and Southern NGOs. An international

workshop organized by IIED, London in 2007, helped to bring together these perspectives, which have subsequently been discussed by academicians and practitioners.

The National Policy on Voluntary Sector, attracted debates at various levels. Following the release of the Policy, several national and regional events deliberated on it. The only national event which specifically focused on the policy in the context of enterprise development, was the one organized jointly by the Planning Commission and the Institute of Small Enterprises and Development, Cochin. The major conclusions and recommendations of the Conference have immensely contributed to the themes of the present project. Jakimow (2008) considers the NPVS as aiming at creating an enabling environment for voluntary organizations and facilitating their partnerships with their environment. However, the study points out that it suffers from a major lacuna, in that it fails to comprehensively address the central aspects of autonomy, credibility and the nature of partnership.

### **6.6. Literature on CSR**

Corporate social responsibility is a relatively new area of research in the Indian context. More so, the case of micro, small and medium enterprises has received only scanty attention. Based on the relevant literature on the subject, this research discusses the various models of CSR, and examines how SMEs and livelihoods are treated in them. A detailed evaluation of the origins and metamorphosis of CSR in the Indian context has been provided by various studies on business communities. Similarly, scholars like Arora and Sood provide a typologising of these historical phases.

In the past few years a number of surveys have been conducted in India by different organizations. At the time of writing the most recent one was conducted by Partners in Change (PiC) – their third such survey (PiC 2004). The previous ones were conducted in 1996-1997 and 1999-2000. The findings of the latest study, which surveyed a sample of 536 companies across India, revealed that philanthropy is the most significant driver (64 per cent) of CSR, followed by image building (42 per cent), employee morale (30 per cent), and ethics (30 per cent). The survey findings of 2004 also present a marked increase in the number of companies developing and adopting CSR policy, compared to the survey findings of 1999-2000. At the same time, the survey also shows that the initiator of a policy across different types of companies is largely the chief executive officer (CEO), except in the case of the public sector, where government policies determine the need to develop a CSR policy.

The perception of the role that companies have to play in CSR activities has increased when compared to PiC's previous surveys of 1996-1997 and 1999-2000. The 2004 report suggests this may be attributed to the growth of a corporate environment more conscious of the implications for India of the involvement of business in CSR. In continuation of the patterns observed in previous surveys, belief in the company's role in CSR activities showed a direct relation with the age and turnover of the company: older companies with a greater turnover were more likely to believe in their role in CSR activities (PiC 2004).

A report by The Energy and Resource Institute (TERI) (Kumar et al.2001) refers to four models of CSR that have emerged since the beginning of the industrial revolution in Britain and claims that all four CSR models are present in India. The ethical model, influenced by Gandhi's trusteeship idea, refers to philanthropic acts of companies; the statist model refers to state-led development that emerged with the adoption of socialist and mixed economy by Jawaharlal Nehru; the liberal model was influenced by the thesis of Milton Friedman (Friedman,1970); and the stakeholder model emerged from R. Edward Freeman's work .

The TERI report, which explored the perceptions and expectations of various stakeholders including workers, company executives and the general public, showed that Indians in general feel businesses must play a wider and more expansive role in society besides providing quality products at reasonable rates. They should strive to make their operations environmentally sound, adhere to high labour standards and reduce human rights abuses (Kumar et al. 2001). The report, however, also revealed that Indians are not yet judging companies according to these criteria, and public opinion is still focused on brand quality and companies' reputations. The earlier survey of Environics International had presented a similar finding on the low demand for CSR in India (cited in Kumar *et al.*, 2001).

The Centre for Social Markets (CSM) survey of July 2001 explored perceptions of and attitudes toward corporate social and environmental responsibility of Indian businesses. It covered Indian industry ranging in size, sector and geographical location (CSM 2001). An important finding of the survey was that there were key barriers to CSR in India. These included the government with unclear policies, an ineffective bureaucracy, poor monitoring records, complicated tax systems and poor infrastructure (Prakash-Mani, 2002).

The CSR survey conducted in 2002 by the British Council revealed that many companies are in the midst of making the transition from the trusteeship or ethical model to the statist model. It also highlighted the growing recognition among companies that "passive" philanthropy no longer suffices as CSR (British Council *et al.* 2002).

A recent research project commissioned by the India Committee of the Netherlands and carried out by Consultancy and Research for Environmental Management (CREM) in the Netherlands and PiC in India, interviewed Dutch companies and their Indian counterparts, along with other stakeholders. The report concluded that Dutch companies operating in India practice CSR very partially. It also claims that although most of the Dutch multinationals do have CSR policies or codes of conduct, their Indian subsidiaries are not normally involved in similar developments. The Indian operations of the Dutch companies also lack monitoring, and companies generally do not check if production in the supply chain follows internationally agreed labour and other human rights and environmental standards (CREM 2004).

Another recent study on business-community relations in India, supported by the United Nations Development Programme (UNDP), United Nations Volunteers and the New Academy of Business as part of an International action-research project, reported that 85 percent of the businesses surveyed in India agreed that they have a responsibility to the community in which they were located (Mahajan 2004). However, good business-community relations are not considered as an essential feature for business success. More interestingly, Mahajan (2004) argues, even if the terminology used may differ from the CSR or corporate citizenship management language popular in the West, there definitely exists an understanding and commitment to the same issues in India.

A study on the mechanisms used by companies in India to implement CSR activities found that the majority of companies consider their social activities as CSR (Leff 2004). The companies believe that their decision to systematize and be more strategic about their work with society is a shift away from traditional corporate philanthropy or charity and toward CSR (Leff 2004). However, their implementation mechanisms mostly operate outside the core businesses of the company. Even the mechanisms within the company usually operate in a separate division or under some other department, and remain removed from the company (Leff 2004).

An interesting finding in Leff's (2004) study is that while the community development or social aspects of CSR seem removed from the core functions of the company, this is not the case with environmental and labour issues. Some companies studied were found to be addressing and integrating environmental issues across the company in numerous ways. This may, in part, be attributed to the corporate environmental crisis in India in the past and to the (subsequent) environmental legislation. Also, labour and employee issues such as safety, work environment and benefits were more integrated in the company functions. The strong trade union movement may have, in part, led to a better corporate consciousness of this issue.

Leff (2004:13) added, "What remains to be seen is how the social aspect, or what has been called here the community development, of social responsibility develops as a function of business".

## **7.0. Conclusion**

India's growth experiences, unlike many of the industrialized countries of today, are unique. Therefore, the opportunities and challenges before the NSAs also are quite different. It is this uniqueness that makes the present enquiry all the more important. The treatment of problems of economic growth, and that of social development, as two water-tight compartments should undergo changes for a realistic understanding of India's experience-Indeed. The NPVS provides a significant platform for such an examination.



# 3

## The Non State Actors: Structure, Performance and Linkages

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### 1.0. Introduction

The problem of enterprise development needs to be examined both from the demand and supply sides. The demand for the services of the NSAs arises out of the demand for the successful fulfillment of an enterprise development agenda. Seen from the supply side, the NSAs have capabilities in particular functional areas, which need to be harnessed in order to match this demand. This is essentially a maximization problem where, both the individual capabilities, as also the overall capabilities of the network of NSAs, in general, matter significantly.

While the NSAs are varied in form, size, and functions, the specifics of their vertical and horizontal linkages is decisive. A detailed analysis of such linkages is crucial from the point of view of development planning, where they are expected to play a significant role.

Since no study has so far taken place on the structure and linkages of the NGDS in India, the present study need to be based largely on primary research. The discussion in this chapter is largely based on the data available from a primary survey.

The present chapter has two tasks. First, it examines the key stages and functional areas in enterprise development and their relevance. The latter part of the chapter is devoted to an analysis of the network of NSAs.

### 2.0. Methodological Approach

An approach to the problem of enterprise development based on functional areas is relatively old. However, since the agenda of enterprise development in India is essentially driven by the government today, and that the capabilities of the NSAs are largely confined to particular functional areas, we are constrained to choose such a methodology. However, even with such constraints, this methodology is expected to provide us some indications on the potential role of the NSAs.

A methodological approach often used in analysis of organizational performance is the so called structure-conduct-performance approach. According to this approach, structure decides the nature of conduct, and through it, the level of performance of organizations. Alternatively, performance may be predicted from structure, or, as a feature of public policy, that legislative intervention in structure may bring about desirable reforms in conduct or performance.

As already mentioned in chapter 2, the focus of the present study is the networks involving non governmental actors, rather than on any single category of organizations. This network approach is built upon the very headcount of organizations. The functional role of every organization is built upon two key factors: a) programme; and b) resources. Programme is relative; it is based on the mission and mandates of the organization. In order to translate the programme into action, resources are sought for. The crucial difference between the government organizations and the NSAs is that, while in the case of the former, the relationship is rather rigid, in the latter case, it is relatively flexible.

Most primary NSAs, though in different degrees, are linked with some donor for resource mobilization. Similarly, every funder has forward linkages with several primary NSAs. The sum total of these relationships shapes the overall structure, or an NSA system, which is the compass of the present study.

The analysis in this section proceeds at two levels: 1) the actors and their roles; and 2) particular linkage models that shape the linkage system.

A note of caution is pertinent at this level. NSAs are not stand-alone entities; they have to work with both governmental and secondary NSAs or larger donors/agencies. Therefore, in a network analysis, it is important to examine these different types of relationships.

### 3.0. The Stages of Enterprise Development

While attempting to examine the present and potential role of NSAs in enterprise development, the first step should be to develop an appropriate methodology that captures: 1) the present state of enterprise development, and the role, if any, of these actors; and 2) to specify the issues to be preferentially solved.

From a primitive state of no significant initiatives for enterprise development (as it is found in some island economies), an active policy of promotion leads to several stages of development initiatives. However, in a vast country such as India, at any particular point of time, this stage of development will vary from state to state. Therefore, it is important to have an understanding of the specifics of these stages.

There are different functional areas of enterprise development, and each such area is predominantly related to a particular stage. For example, though business development services are relevant in various stages of enterprise development, they are more relevant in a context of growth and scaling up of enterprises. The following chart provides a framework for comparative analysis.

#### Stage I

According to the three-stage theory of growth of the economy, growth of the primary sector provides the nutrient for that of the secondary sector, either through the demand for wage goods, as also for industrial products. . Hence, there is a stage of spontaneous growth of the non agricultural activities, where public policy has no significant role to play.

**CHART- I**  
**Stages of Enterprise Development**

	Stages of Enterprise Development	Stage of intervention	Degree of intervention
Stage I	Livelihood sustainability Primitive industrialization	Minimal	Low → High
Stage II	Policy Level	a) Research and Policy Support b) Lobbying	Low → High
Stage III	Grooming Stage	a) Entrepreneurship Education and training b) Microfinance	Low → High
Stage IV	Scaling-up stage	a) Technology b) BDS c) Finance	Low → High

**Stage II**

Under this stage, the economy is expected to be on an overall urge to attain the "preconditions to growth" stage. Here, public policy has an active role in enterprise promotion. What enterprises need to be promoted, and how, becomes the key question. An answer to this question demands, much research, articulation, lobbying and policy support.

**Stage III**

This is a stage of proactive and concrete initiatives. The conviction that, entrepreneurship needs to be nurtured through proactive initiatives, demand an active role of promotion. Entrepreneurship education and training should be planned and implemented. One of the key institutional structures needed at this stage is of finance. Hence, micro finance and venture capital have a key role to play.

**Stage IV**

Sustainability of enterprises is a key concern in a growth context. Therefore, in order to ensure this, an environment of continuous flow of business development services and technology need to be ensured. This also demands, advanced financial intermediation which caters to these emerging needs.

**3.1. Functional Areas**

While enterprise development initiatives themselves emerge out of the demand for enterprises in the economy, institutional initiatives in this area also are market-determined. The market opportunities available for such institutional initiatives have resulted in a particular institutional structure, an understanding of which should be useful for the scope of the present study.

Functional areas are, more concrete operational areas which are measurable and comparable. They are also vital areas in which the performance of various actors in enterprise development can be compared and acted upon. The key functional areas in an enterprise development agenda are the following:

**3.1.1. Research and Policy Support**

Public policy has a key role in shaping the policy environment, as also the participation of various actors. Policy does not emerge in a thin environment. On the contrary, various influences contribute, either positively or negatively, to the policy process. Research and policy support play a key role in shaping these processes.

Public policy, in a particular context, emerges out of an understanding of the situation at the particular point of time. It can undergo changes over time. Besides, these changes are fine-tuned by internal evaluation or by externally directed research work. In the Indian context, though MSMEs is a badly neglected area of investigation, there are research contributions from a few organizations which have helped to restructure or fine-tune the existing programmes.

Research and policy support are two highly interrelated areas where the role of NSAs is significant. The Planning Commission and the Ministry of MSME have some consultative bodies where the NSAs are involved in a consultative or advisory role. For instance, the VSI Division of the Planning Commission enlist experts and professional bodies in its Plan Working Groups, which deliberate on enterprise development programmes and strategies. Similarly, the Ministry of MSME has a high power consultive body, the MSME Board, in which several NSAs are members. Besides, the Ministry has a specific programme for capacity building of MSME associations as well.

Reserve Bank of India has a Standing Advisory Committee on SME Finance, which also has been represented by NSAs. Besides, all-India Development Finance Institutions, such as SIDBI and NABARD, also have advisory committees in which NSAs are represented. Besides, the Government of India, from time to time, appoint fact-finding Committees, in which, representatives of NSAs are accommodated.

**3.1.2. Lobbying/Advocacy**

Research inputs provide the nutrient for lobbying activities in favor of the MSME sector. On the other hand, lobbying by itself, may also necessitate research work.

However, enlightened lobbying is a neglected area in the Indian environment. In the USA, on the other hand, there is a formal platform: the Office of Advocacy. While the Office of the Development Commissioner (MSME) performs some initiatives in this area, the backbone of lobbying activity, if any, is with the SME Associations. While research forms the nutrient for advocacy, there is neither any formal platforms, nor any programmes to support this. In fact, research by the Ministry is geared to post-evaluation, rather than for development of programmes. While independent research take place in some research institutions and University departments, they emerge from the specific interest of those institutions, rather than by the promotional initiatives of the government.

### **3.1.3. Entrepreneurship Education**

The grooming of enterprises is an area of active debates. The view point that training and mentoring can lead to entrepreneurship, has brought in entrepreneurship education and training as active areas of interest. This thrust has emerged largely in the context of educated unemployed, where such interventions are expected to draw sizable numbers of people into the stream of entrepreneurship. A corollary of this thinking is that, the mainstreaming of entrepreneurship education will mould several young people into the stream of entrepreneurship. Entrepreneurship education in India has two streams:

#### **1) Supply-side education Programmes**

This category of programmes has emerged from the perception that, the curriculum, as it prevails in the country, is inadequate, and it does not equip the students for any vocation other than jobs. Hence, the programme of entrepreneurship education was kick started in the 1980s by the IITs and the IIMs. Another thinking that came into prominence in the 1970s was, entrepreneurship training for the educated unemployed. Despite the good intentions, these programmes still remain of a supply- side nature, with much less follow up initiatives.

#### **2) Demand-driven Programmes**

The mushrooming private engineering colleges and management Institutions in the country have entrepreneurship as part of their curriculum today. This essentially helps these institutions to find business, rather than making any contribution to entrepreneurship education as such.

The key problem relating to entrepreneurship education in the country is the lack of an integrated approach, where, entrepreneurship education and training are properly integrated with a concrete labour market policy. Unlike in many other industrialized countries, this is one area in which, India has to go forward with a clear vision and strategies .

### **3.1.4. Technology**

In many discussions on enterprise development, the importance of technology has been highlighted. In most of the early studies in this area, developing countries are considered as technology starved economies; thus came the arguments for enhanced technology imports.

While at every stage of enterprise development, technology has a significant role, its relevance is much greater in a scaling up stage. More recently, there has been an integrated view of technology development and its diffusion in the country. The efforts of the "National Manufacturing Competitiveness Council" has contributed to the cultivation of such an integrated view.

A corollary of technology development and manufacturing competitiveness is the focus on skill development. The Eleventh Five Year Plan gives a special thrust on skill development and vocational training and to enhance the skill base of the economy (GoI, 2006) .

### **3.1.5. Business Development Services**

Business development services (BDS) is a comprehensive term, which covers various stages of enterprise development, from grooming of enterprises up to the scaling-up. However, it is more appropriate and relevant to the context of enterprise growth. The term BDS is more significant today in the context of development of industrial clusters. Clusters belong to a 'collective efficiency model', where several interventions, involving diversified skills, are required to enhance their efficiency levels. Where skill- base of such a diversified nature is not available with the public agencies today, NSAs can contribute much in this regard.

Most NSAs, given their culture and exposure, have only piece meal skills today. Contextualising such skills demands two things: 1) polishing the skill -base; and 2) providing them opportunities to work with public programmes. While the former can be achieved through offering relevant training opportunities, the latter demands the nurturing of a serious model of public –private partnership for enterprise development. The need for a Mission mode intervention in this regard is highlighted in the concluding chapter.

### **3.1.6. Finance**

There is a general perception in various circles, that a limited access to finance is a major constraint in enterprise development. Hence the argument for finance as the key to enterprise development. There is often a misconception regarding the role of such access to finance, and therefore, many people fail to distinguish between micro credit and micro finance. While the focus of the former is “credit only services”, rather than “credit plus services”, the latter covers several after-credit services, including the so called BDS.

The last two decades have witnessed a mushrooming of micro finance initiatives in the country. While micro finance is only an intermediate stage in initiating livelihood programmes, capacity creation, which is a vital link between the two, is still not upto a desirable extent in the country. The area of BDS, despite significant highlights by the donors, is a significantly neglected area in the country. Organising the poor under SHGs is not the sole purpose of micro finance; such organization should help them to run economic activities in a sustained manner.

While finance is conventionally viewed as the key element in any enterprise development program, with the emergence of microfinance movement, the key question is not the availability of finance or not, but the type of finance that is available. While ‘financial inclusion’ is the catch word of the day, and the flow of finance has significantly improved in the country through various interventionist measures, the mismatch between finance *per se*, and the supply of bankable projects still remain an area of serious concern. It is the NSAs, which should play a key role in providing the missing link.

## **4.0. Field Research**

Though the coverage of the present study is vast, there is a special relevance for a detailed field research. Available secondary literature and data are mostly of an “all-purpose” nature. Therefore, against the more broad based perspectives and insights, it was also necessary to have more detailed field level investigations.

The matrix of relationships among various types and categories of non governmental actors is extremely complex, and therefore, the methodology of this field research involved both scientific techniques and best judgement of the researcher. Accordingly, the two categories at the top and the middle of the pyramid, ie, international and national organisations, were purposively selected for detailed investigation. From the available list of international organizations, the following five organizations were selected for detailed study:

The International organizations selected were the following:

- 1) Swiss Agency for Development and Co operation (SDC)
- 2) GTZ
- 3) DFID
- 4) International Development Research Centre (IDRC)
- 5) Japan International Co operation Agency (JICA)

For purposes of the present study, the defining criteria is the overall involvement and hegemony of non state components. For instance, donor programmes in India are of two categories: 1) bilateral/multilateral programmes; and 2) exclusive donor programmes. But the bulk of donor funding in the country is received through the former outlet. Therefore, in an analysis of the role of non state actors, activities at both these levels become crucial. The network of non state actors constitute the following tiers:

### **4.1. Multilateral and Bilateral Organizations**

The international organizations include a variety of actors. On the one hand, there are the multilateral organizations and other donors, who bring in funds and often facilitate a cross-breeding of ideas and best-

practices into the development sector. There are also foreign governments and embassies who implement their overseas development assistance programs, jointly with government agencies or with NGOs.

The Donor Committee for Enterprise Development has been involved in enterprise promotion activities with a common agenda. The initiatives of the Network since the year 2000, has facilitated a greater focus and co ordination in enterprise development activities. All members of this Network are operative in India. For instance, countries such as Switzerland and Norway, not having a bilateral programme with India, still continue their enterprise development interventions through Indian NGOs under this banner.

Among the multilateral organizations, the initiatives of UNIDO and the World Bank, facilitates interventions in two critical areas, i.e., finance and cluster development respectively. The intervention of ILO, a third agency, is concentrated in entrepreneurship development and BDS.

**Table: 3.1. Profile of Selected Donor Organizations**

Name	Country of Origin	Key programme area
SDC	Switzerland	BDS & Finance
GTZ	Germany	Technology
DFID	UK	Livelihoods
IDRC	Canada	Research
JICA	Japan	Networking & Technology

While institution development is largest single area of intervention by donors and bilateral and multilateral programmes, the focus is rather indirect. While the international/foreign donors need the support of local intermediaries, the question as to whether local capacity building of a desirable level takes place, is a question, which should undergo deeper research.

**4.1.1. Technology Development and Diffusion**

The focus on technology as a new stream dates back to the initiatives following the recommendations of the International Planning Team (Ford Foundation Team) in its Report, (GoI,1955). The Report advocated the development of technology institutions and associated programmes. Thus came the initiatives under the National Small Industries Corporation, which was the earliest outfit for technology development. Subsequently, Indo-German collaboration initiatives have resulted in the Indo-German Tool Rooms.

The earlier discussion on technology was largely in terms of technology imports. In 1960s this discussion gave way to appropriate technology debates. The grooming of local technology gained enhanced attention with the setting up of incubators, in which both the donors, voluntary organizations and the government participate.

Reduction of pollution, and energy efficiency in the SME sector became another two key areas in which donor intervention became prominent in the 1980s. The initiatives of the SDC, under the joint SDC-SIDBI programme provided a thrust on technology development (eg: Moradabad glassware subsector). A number of other private organizations, such as Rabo Bank, and foreign banks are also involved in this area.

Global warming related initiatives have got significant attention in the recent past. Hence cleaner production has become a key agenda item for many donors. Both USAID and DFID are active in this area. For a detailed discussion on the Green Business agenda, see ISED(2010).

**4.1.2. Finance**

An era of directed finance for the priority sectors was inaugurated in India in 1971, with the nationalization of 14 commercial banks. Norms relating to priority sector lending were made mandatory by the Reserve Bank of India, which helped to redraw the pattern of credit flow in the country. This pattern was further innovated with the formation of two development banks, NABARD and SIDBI, which ,apart from ensuring

flow of credit to the small enterprises, were expected to play a proactive role in chanelising credit. The era of active globalization witnessed a major challenge in this area with a significant trust on micro finance. External commercial borrowing (ECB), bulk finances, and a concept of an SME capital market reflect new thinking in this area.

SME finance is a major area that has caught substantial donor attention in the past. The initiatives of SDC, jointly with SIDBI and NABARD have resulted in the development of micro finance capabilities in the country. The initiative of DFID has resulted in the development of several partnership programmes of livelihood, in states like, Madhya Pradesh, Orissa and Andhra Pradesh. In these programmes, the involvement of the voluntary sector is crucial. While several international donors are thus active in microfinance, their contribution to enterprise- related capacity building is not significant.

#### **4.1.3 Institution Development**

Institution development is a relatively neglected area. Among the various international organizations, the German Foundations are more popular in this area. ZDH Partnership Programme has a programme meant for enhancing the institutional capacity of selected SME Associations in South India. The Programme, originally having a regional focus, is getting a national coverage. Similiary the Konrad Adaneur Foundation has such programmes with selected chambers. The Fredeurich Naumann Stiftung has collaborated with the Tamil Nadu Small and tiny Industries Association(TANSTIA), in order to set up the TANSTIA-FNF Service Centre. Despite these isolated initiatives, institutional deveelopment, by and large, is a neglected area so far.

#### **4.1.4. Business Development Services.**

While traditionally, capital and technology have been considered as the key inputs for SME support initiatives, in the modern world, the pivotal role played by business development services has been increasingly highlighted. The term business development services include a wide array of non-financial services critical to the entry, survival, productivity, competitiveness and growth of SMEs. At the international level, after several years of efforts to build a consensus on principles for selecting and supporting intermediaries in SME finance, the Committee of Donor Agencies for Small Business Development turned its attention to BDS.

This is a relatively new area in the Indian context. ILO is one premier organization, which supports BDS. This multilateral organization developed a major programme of BDS in the context of the Tsunami in various states of the country. The programme is now being implemented through various NGOs. GTZ and DFID also have supported some projects in this area.

The term 'BDS' in India include a variety of activities being practiced for SME promotion. This include, training, mentoring, support for improvement of performance, etc. In the literature, BDS has been divided into two categories: 1) operational; and 2) strategic. The history of BDS goes back to early 1970s when the publicly-funded Technical Consultancy Organizations (TCOs) assumed this role. More recently, with the prominence of Small Industry Cluster Development Programme, BDS became a more prominent area. A number of international organizations, including GTZ, DFID, SDC and ILO, involve themselves in this area.

#### **4.1.5. Entrepreneurship Development Initiatives**

Entrepreneurship development is one area in which India has succesfully carried out several experiments with donor support. Donors like the DFID and the British Council were instrumental in initiating several collaborative programmes between Indian and British institutions. Thus, premier Business Schools such as Cranfield and Durham have helped to nourish this area through collaborative research and training activities. These early initiatives have matured ,with the latest interventions directly by various Ministries of the Government of India and their associated institutions.

#### **4.2. Corporate Sector**

The corporate sector engage non state development actors including national and regional organizations. Captured by the rubric, "corporate social responsibility", such engagement can be for the fulfillment of the specific externally- oriented activities of the company concerned.

While the interest in enterprise development activities by the corporate sector is a more recent phenomenon, this new interest owes to a variety of influences, such as, the growth of the microfinance movement, the

enhanced penetration of the IT sector, and the greater acceptability of “bottom of the pyramid” approaches in international literature and donor policy. The culture of outsourcing, which became more acceptable in the country, also implied an enhanced recognition of the role of NSAs at the grass root level.

The relationship between the corporate sector and the primary NSAs is being discussed in the rubric of “corporate social responsibility”. The rationale of CSR has been built up on the key principle of a *business case*. As a corporation enters into a CSR relationship with another agency, the CSR analysts examine the relationship primarily in terms of the **business case**. It implies that, the company should have a rationale, inextricably close to its core business, in entering into a CSR activity.

The Indian corporate sector spent Rs.30000 crore on social expenditure during the last financial year, up from Rs. 17500 crore the previous year. Companies drew a total exemption of Rs. 5500 crore under income-tax laws last year (Pandey,2007). These figures, according to an analyst, sound improbable, as Indian companies still do not distinguish between philanthropy and internal practices to benefit stakeholders, such as employees and community.

CSR is not a thrust specific to the private corporate sector. For historical or other reasons, each company has a specific reason to have a particular type of CSR linkage. This, however, varies in the private corporate sector and the public sector differently. But for objective reasons, the following categories of companies have a solid business case to choose enterprise and livelihood promotion as their domain of CSR activity:

#### **4.2.1. Banking Institutions**

Banking institutions have a specific business case to engage NSAs. The vastness of the country, and the constraints of the branch banking model that India, provides a vital case for engaging competent NSAs who can identify business opportunities, and help to link such opportunities with the bankers. The present thrust on financial inclusion by the Reserve Bank of India, itself is a tacit admission of the failure of the formal financial system in India on the CSR front. The public sector banks, which handle the bulk of formal banking business in the country, are virtually a monopoly, working effectively as a cartel. While on the one side, they increasingly use crude cost-cutting methods, a large chunk of their business has been taken away by other financial institutions in the formal and informal sectors. While their failure on the credit delivery side could be arrested to some extent, through the micro fiancé linkages, their success on the side of attracting new business opportunities has been tardy.

Most public sector banks are either ignorant of the culture and practice of CSR, or are unwilling to accept innovative practices. These banks could have identified a business case in working with business development service (BDS) providers, and thus could have consolidated the business opportunities there from. Field studies have shown that, even the specialized SME branches of these banks are manned by staff, less competent in terms of their exposure and skills. The training given to these personnel also do not conform to imparting of such skills.

#### **4.2.2. Development Finance Institutions**

The network consisting of the two all India development finance institutions, SIDBI and NABARD, and the SFCs, constitute the DFI network in the country. With the recommendations of the Khan Committee, the development banking function in the country got significantly diluted, and today, the basic difference between commercial banks and development banks, is practically lost. While the P&D budget of the development banks are so reduced, it would necessitate the P&D functions to be taken over by alternative actors. This has not happened so far. Consequently, the area of credit-plus services remains significantly unserved. This lacuna has been pointed out by the Thorat Committee, appointed by the RBI, in its draft report on SLBCs(RBI,2009).

#### **4.2.3. Public Sector Companies**

The role of the public sector enterprises has often been articulated in terms of their social commitment. Such social commitment has been defined differently from time to time. For instance, in the 1970s, ancillarisation was a key form of social commitment to some of the large companies in the public sector (eg: HMT Ltd, Cochin Shipyard Ltd, Indian Navy, FACT Ltd) However, as the role of the public sector itself was redefined

since the 1990s, this focus also got significantly changed. Social commitment needs to be reinterpreted in a changed context. Both for diversification of their activities, as also for establishment of ancillary linkages, there is a significant potential for using the NSAs as intermediaries.

#### **4.2.4. Public industrial promotion agencies**

Public industrial promotion agencies, such as the State Industrial Development Corporations, as on today, remain as stand-alone state entities. In the modern world, industrial promotion is a complex subject, involving innovation and infrastructure creation. While these corporations can, at best, provide infrastructure support, the process of innovation should happen with a cross breeding and pooling of ideas within the public and private sectors.

#### **4.2.5. Companies with Outsourcing Capabilities**

The corporate sector,

with significant outsourcing openings, such as the IT companies, need to tap the labour market opportunities offered by the country. There are some IT companies in the country who engage NSAs essentially for tapping these market opportunities.

The case of IBM is instructive. When the homegrown IT vendors were thinking global, IBM-India chose to think local for its growth in the country. It offered its three successful product lines, 'strategic outsourcing,' 'linux,' and 'technology on demand' to the targeted customers, such as the state governments and SMEs. An outsourcing deal with Bharthi Televentures and acquisition of Daksh e-services proved IBM-India's continued commitment towards the Indian market and its steady progress towards its targeted one billion dollars in revenues.

Dell and Intel are two other companies which target the SME business opportunities and engage in networking with NSAs for this purpose.

##### **4.2.5.1 Forms of Engagement**

The forms, in which NSAs are engaged by the corporate sector, vary from company to company. In some cases, intermediary NGOs are engaged by the corporates. The engagement between City Bank-Partners in Change, is an example. Employee volunteering is another method practiced by a few corporations. Institution building is an indirect means of providing support services for enterprise development. For instance, Titan Industries adopted this route, by supporting an NGO, MYRADA, which, in turn, provided the ground for community interventions.

**4.3. National Level Development Organizations :** The national organizations selected were the following:

- 1) BASIX
- 2) Development Alternatives
- 3) Entrepreneurship Development Institute of India
- 4) Tata Trust
- 5) SEWA
- 6) RUDSETI
- 7) Partners in Change
- 8) PRADAN
- 9) Drishti
- 10) Datamation Foundation
- 11) Dhan Foundation

The distinguishing feature of a national organization is not simply the size of its resource base, but its programme and activities. This is because, it is the programme that primarily allows a meaningful scaling up, and not the resources *per se*.

The distinctive characteristics of a national organization, for the purpose of this study, are as follows: 1) working directly (or with affiliates) in more than 50 per cent of the states; and/or 2) having a truly national perspective and programme. This distinction is made on the basis of the potential impact that the organization can make. For an organization which strongly believes in micro level interventions, the geographical spread of its activity (or volume), itself, can make a significant impact. On the other hand, another organization which is involved in advocacy, lobbying or research, also can make a significant impact, by influencing public policy. There are also a few organizations which combine both the aspects.

BASIX, Hyderabad, is one organization having a significant coverage at an all-India level. The initiatives of RUDSETI network adds to development of entrepreneurship at the grass root level. They organize EDPs of various types. On the livelihoods promotion side, the initiatives of SEWA and the Friends of the Women's World Banking –India, deserve special mention.

**Table: 3. 2: Profile of Sample National Organisations**

Name	Place of Incorporation	Key Functional Area
BASIX	Hyderabad	Finance & BDS
Development Alternatives	New Delhi	Livelihoods Development
EDII	Ahmedabad	Entrepreneurship Modelling
Tata Trust	Mumbai	CSR
SEWA	Ahmedabad	Gender & Enterprise
RUDSETI Development	Mysore	Skill-based Entrepreneurship
Partners in Change	New Delhi	CSR Intermediary
PRADAN	New Delhi	Livelihoods
Drishhti	Noida	ICT
Datamation Foundation	New Delhi	ICT
Dhan Foundation	Madurai	Rural Management

National level chambers such as, FASSI, FICCI and CII have their national programme and activities catering to the agenda of enterprise development. There are also networks of enterprise promotion agencies operating at the national level (eg: Trade Fair Forum).

Professional bodies/institutions operating at the national level also contribute to the enterprise development agenda at the national level. The EDII, Ahmedabad takes care of enterprise development modeling and support to entrepreneurship development initiatives in the country

#### **4.4. Local and Regional Organizations**

There are also smaller NGOs that work in linkage with their larger counterparts. There are thousands of them dispersed in various parts of the country. So also are several sectoral and regional associations of SMEs.

Local and regional organizations emerge both in a supply-side or demand driven fashion. For instance, many such grass root level organizations emerge out of the initiatives of a group of people who venture into the formation of an NGO or group. On the other hand, there are also cases where, large donors or the government itself promote the creation of an NGO, in order to channelise donor funds. These two major sources of the creation of NGOs has a significant bearing on their resource position, as also their capabilities. Naturally, there also exists much inequity among these organizations due to such causatives.

Based on the sample study, the structure of the Regional and Local (R&L) organisations were analyzed based on their typologies and functional areas. A sample of 300 regional-local organizations was selected based on purposive sampling for an indepth study on its structure and functioning. Purposive geographical representation was an important consideration for selection of regional/local agencies and national organizations. However, such selection was also focused on the particular socio political and cultural setting that is present in various parts of the country.

South India is more advanced in terms of the number of organizations, as also the diversity of their programme. There is a larger presence of many dynamic organizations involved in enterprise and livelihood activities in this part of the country. Northern and Western India have a more recent history of non-state actors in enterprise and livelihood development activities.

Based on the broad distribution of organizations spread out in four different geographical Zones , an indepth study is essential in each of the Zones. Hence importance was given to each zone for the selection of samples. Accordingly samples were selected from each of the Zone, proportional to their total number of functioning units. A detailed Zone-wise classification of the regional-local organizations was compiled and is given below.

**Table -3.3: Profile of Regional and Local Organizations**

Sl.No	Location	Total	Percentage
1.	South	551	32.80
2.	North	497	29.58
3.	East	373	22.20
4.	West	259	15.42
	Total	1680	100

**North** UP, Chathisgarh, Punjab, Haryana, Delhi, Himachal Pradesh, Rajasthan, Uttaranchal, Uttarkhand, J&K, Chandigarh., Madhya Pradesh

**South:** AP, Tamil Nadu, Pondicherry, Kerala, Karnataka, Lakshadweep

**West:** Gujarat, Maharashtra, Goa, Daman & Diu,

**East:** West Bengal, Assam, Tripura, Manipur, Bihar, Sikkim, Arunachal Pradesh, Jharkhand, Meghalaya, Nagaland, Mizoram, Orissa

*Source: Survey Data*

Samples were selected from each of the Zone proportional to their total number of units in each of the Zone .The distribution of the sample is given below:

**Table: 3.4: Sample of Regional and Local Development Sector Agencies**

Sl.No	Location	Total	% on total
1.	South	966	31.76
2.	North	90	29.93
3.	East	60	19.71
4.	West	54	18.00
	Total	300	100

For an in-depth analysis of the samples selected, the key functional areas of the unit were identified and further classified into different categories, based on their area of interest. A classification done for further analysis in this direction, and the functional area/ Zone matrix ,are given below.

**Table: 3.5:Structure of the NSA Programme**

Key Programme Areas	No. of Organisations				Total	%
	East	West	South	North		
Micro Finance	24	16	37	24	101	34%
Skill Development	18	9	24	19	70	23%
Community Development	7	6	16	16	45	15%
Entrepreneurship Development	6	19	10	7	42	14%
Health and Sanitation	2	3	6	10	21	7%
Social Action	2	0	0	10	12	4%
Literacy/ Education	0	1	2	1	4	1%
Other Areas	1	0	1	3	5	2%
Total	60	54	96	90	300	100%

Note: Programme focus is defined in terms of fund utilization.

The sample study of the R&L organisations reveal the relatively low involvement visible in the case of the majority of the organizations to *enterprise development* as a focal area. While, SME Associations focus on this, the thrust of NGOs was largely on micro finance. a detailed investigation into the causatives ,demand an examination of the objective factors in a historical setting.

### 3.2 Booming Areas

Despite the above functional focus, there has been a booming effect in two key areas: a) Micro Finance; and b)Entrepreneurship Development. The dominant groups are: a) micro finance institutions, which get involved in livelihood development activities, from minimal to a significant extent. These agencies emerged largely out of some mushrooming effects that have happened in the economy over the last about a decade. On the one hand, the micro finance movement which started in the late 1990s and activated with the enhanced Tsunami funding, has created a bandwagon effect in “ livelihood development”, the effects of which need to be closely examined.

Similarly, the market mechanism itself has worked out the development of Entrepreneurship Centers as an extension of private Management Schools which mushroomed in the country during the past one decade. While micro finance in principle, has the potential of kick starting the bottom of the pyramid, Entrepreneurship Clubs target another significant group with potential: the educated unemployed. Our field research, however, shows that the linkages expected of these interventions have not been significantly created in the economy

### 5.0. Structure and Linkages

The relationship between structure and performance in the context of non-governmental actors is a badly neglected area of enquiries in the Indian context. There is a need to study this relationship from the point of view of fostering a productive relationship. A methodological approach, most relevant to this context, is the structure-conduct-performance model being widely used in industrial economics. According to this model, industrial structure decides performance, conduct being the link between the two.

The typologies of NSAs give important insights into the structure of the NSA system. It also provides indications on the development of a potential programme development with NSA involvement. In order to

focus on the involvement of the NSAs, the classification of the units selected was done based on the dominant category of their professional involvement and such details are given below. (table:3.6).

**Table 3.6: Zone-wise Distribution of Sample NSAs.**

Zone	Number				Total
	NGOs	SME Associations	Professional Bodies	Others	
South	80	4	10	2	96
North	60	11	15	4	90
East	51	2	5	2	60
West	29	3	20	2	54
Total	220	20	50	10	300

### 5.1. Structure

The key factors influencing structure are:

- a) Number of organizations in a particular category
- b) Mandate and programme; and
- c) Resource position.

From the sample study it is revealed that most of the sample units selected fall under the category of NGOs (74% of the total sample). The share of SME Associations is only around 6% ,and the percentage of Professional Bodies come to 17%.The latter bodies include, consulting groups,entrepreneurship centres,educational institutions etc.The category 'others',include,co operatives,trade unions etc. This shows the NGO sector is more widespread in their activities irrespective the Zones.

The NSA geography of the Country, as given above, has significant implications from the point of development experience and public policy. The general experience of a clustering of NSA activity ,as also of donor activity around the metro cities ,is clearly visible in the above data as well. There is a significant concentration of smaller NGOs in the Southern and Northern Zones of the Country. The South has a long tradition of NGO activity, especially at the instance of the early initiatives of international donors and Union Government programmes. The pattern in the North is influenced significantly by the presence of Delhi,as the centre of major NGO activity. The East has come to prominence only recently. The high priority that is given to the development of the North-East,and the associated enhanced flow of public funds,is a major contributory factor.

The history of NGO activity in Western India ,however, stands out. Historically,NGO activity in this part of the Country was much less influenced by the support of donors, because of various reasons. Being the leaders of industrial activity,Gujarat,Maharashtra and Rajasthan, had a more demand-led growth of NGOs. This led to the growth of many indigenous models of NGO activity,such as,SEWA in Ahmedabad, and Annapurna Mahila Mandal in Mumbai. The present stage of NGO activity is built upon such a legacy. Such a relatively self-dependent model has,undoubtedly, contributed to the practice of NGO activity in the Country.

An examination of the State-wise experience, however, gives more deeper insights into the processes underway. In the South,Tamil Nadu and Pondicherry, are states with significant NGO growth in atleast some regions,largely out of donor support. Even with high industrial growth, the social sectors remained underdeveloped for long. While the corporate sector did not play any significant role in harnessing NGO capabilities, the government undertook some initiatives through the Tamil Nadu Women's Development Corporation,to co ordinate such work in the social sectors through the NGOs. NGOs in enterprise development,however, were not considered as a priority. Rather, the MSME Associations assumed this role,which was actively supported by the Government.

Kerala's dominant political ideologies did not permit the growth of NGOs to any significant extent. However, the Christian Churches, who had the necessary resources, almost monopolised NGO activity in the State. While until late 1980s, they were highly influential in government programmes, the more recent experience is of the government itself creating independent government outfits, on which it has close control (eg: *Kudumbashree*). MSME Associations in Kerala are more representative in character; however, their political clout and visibility are often very limited.

North India, in general, demonstrates a strong presence of NGOs largely because of the patronage given by the Union and State governments. While the Northern experience is largely influenced by the *donor effect* relating to the Delhi factor, as it will be discussed in the subsequent chapters, the spread effects of NGO activity there are relatively less.

Another remarkable feature is the specific experience relating to MSME associations. South India has a significant edge over other parts of the country. The history of organisation of MSME entrepreneurs also has a tradition which is rooted in South India. Such experience has contributed to a spill over, which over time, has got reflected in the emergence of some successful social enterprise models in this part of the Country.

## **6.0. Linkages and Performance**

### **6.1. Linkage Models**

Linkage Models are the particular types of relationships among two or more organizations. These models are crucial in understanding the programme and orientation of particular organisations. Linkage models are the organizational culture specific to an organization. A change in this culture does not generally take place unless there is a significant external motivation. Linkages are driven broadly by the following two key factors: 1) resources; and 2) agenda. The agenda can be either of a short term nature or a long term one. As the government promotes an NSA relationship for the requirements of a specific project, it can be called a short term relationship. (eg: poverty reduction project in A.P; livelihood project in Madhya Pradesh). Long term networking projects, such as the Fair Trade Forum belong to another category.

These can be categorized into three: 1) Satellite models; 2) Stand-alone models; and 3) autonomous models.

#### **6.1.1. Satellite Model**

This particular model of relationships among organisations implies, a mother (mentor) organization, which facilitates reaping of mutual benefit. The mentor organization can be a government agency, an international donor, or a larger national NGO. In this hub- and- spoke model, the spoke functions according to the agenda set by the hub. There are many examples to this model in the country. Jute Manufacturers Development Council is a case of government-initiated model, where, the Council supports 30 ancillary organizations. Fair Trade Forum-India is another such national organization with a network of 72 organizations.

#### **6.1.2. Stand-alone Model**

Stand-alone model is a case where, a large NSA tries to expand itself at the national or regional level by setting up its own outfits. These outfits/offices/affiliates facilitate the organisation to gain a super-regional status. Srishti and Datamation Foundation are examples of this model.

#### **6.1.3. Autonomous Model**

This is a model of NSAs typical of regional and local operation. These organizations try to create success stories at the local level, but are often unable or reluctant to scale up.

The key indicator of resource position is the size of the budget itself. Non state organizations, by nature, have several sources of funding. Therefore, the linkage with a donor organization has various implications. As against this, there are a few organizations that are driven by a social agenda.

Regional and local organizations, which form the base of the pyramid, are closer to the ground level processes and currents in development, and therefore, their vertical and horizontal linkages have an important role to play. While vertical linkages influence their perspectives and resource position, the horizontal linkages significantly influence the opportunities of scaling up. The resource base of organizations has an important bearing on their performance. Table 3.7 gives an overview of this. The majority of the respondent organizations were small and dependent on own resources.

**Table 3.7: Key Linkages of Sample Organizations**

Category	Number	Percentage
Research funds by government	9	3.00
Retained by government Departments	12	4.00
Occasional government support	10	3.33
CSR intermediary	4	1.33
Own resource generating	254	84.67
Donor funded	10	3.33
Others	1	0.33
Total	300	100

### 7.2. Functional Linkages

The functional linkages of an organization is, alternatively, an indicator of its expertise and capabilities in particular functional areas. Table 3.8 shows that micro finance stands as the longest single functional area. Apart from the importance of this area in the rural context, this also is an indirect indication of the poor resource position of most organizations.

**Table 3.8: Sub-Sectoral Distribution of Non-Governmental Development Actors**

Category	Number	Percentage
Entrepreneurship development Programmes	9	3.00
Micro Finance	70	23.33
Technology	4	1.33
Research and policy support	3	1.00
Business Development Services	8	2.67
Lobbying	16	5.33
Trade promotion	4	1.33
Other areas	186	62.00
Total	300	100

### 7.3. Mentoring Linkages

The mentoring linkages influence both the culture and resource position of NSAs. **Table 3.9** shows that the growth of the majority of the organizations is spontaneous. This culture of volunteerism is something which needs detailed examination from the point of view of social policy.

**Table 3.9: Distribution According to Status of Mentors/Donors**

Source	Number	Percentage
Donor Funding	9	3.00
Professional Body	5	1.67
Government Sponsored	16	5.33
Association of Persons	12	4.00
Chamber / Association	23	7.67
Independent	235	78.33
Total	300	100

## **8.0. Relevance to the Enterprise Development Agenda**

NSAs bring in, or act as, vehicles of resources and ideas that are often novel to particular areas of enterprise development. They often act as experimenting ground, implementers, and disseminators of innovative programmes. For instance, micro finance which was conceptualized by the World Bank in 1989, had its initial trials and experimentation in the hands of the Grameen Bank in Bangladesh, and SEWA in Ahmedabad. Models of entrepreneurship development were evolved essentially from the experience in India. The non farm sector programmes of NABARD, presently being implemented in the field, has a history which dates back to the initiatives of the SDC in 1994. The rural innovation Programme of the NABARD is a continuation of these initiatives. The massive vocational/skill training programmes, now being implemented by the Ministry of Labour, is a continuation of the GTZ programmes in co-operation with the NSAs. Business Development Services is another crucial area, which was moulded by the ILO in co-operation with the NSAs.

## **9.0. Implications for Policy**

The above record of joint learning of the government and the NSAs, has significant implications for policy. Our findings from the field further confirm this conclusion. While the multilateral as well as other foreign donor organizations have their Country Service Programme which captures the key development priorities of the country (eg: UNDP), many private donors have only vaguely defined strategies and practices. Regional and local organizations and their programmes are largely fund-driven rather than programme driven. While this can, by no means, be justified, the key causative is the poor definition of the role of the private and public sectors and their inter relationships in the development strategy. Public programmes often do not have a clear provision for attracting private funding and capabilities. It is possible that innovative or even parallel programmes can be evolved by the private sector, where the government is already involved in.

# 4

## Non-State Actors: Capabilities and Delivery System

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### 1.0. Introduction

Any interventionist programme in development emerges in a market situation. On the demand side, there is the demand for particular programmes and relevant stake holders to get involved in. On the other hand, there is the supply of actors with the relevant capabilities. The role of the NSAs appears on the supply side. Given the supply side, both the government and the private sector would like to engage the NSAs. This chapter seeks to look into the particular nature of such relationships in relation to the specific capabilities of these actors. The discussion in this chapter, and of the next one, seeks to examine this relationship.

While there is a demand, derived from the need for ensuring quality and efficiency of public programs, such efficiency cannot often be achieved exclusively by the government mechanism itself. It is vital that the initiatives of the government should be supported by an active involvement and partnership of various stakeholders. In enterprise development programmes, there are several functional areas, where the involvement of various specialized agencies can lead to significant results. For example, industry associations can play a meaningful contribution in networking and advocacy roles. The entrepreneurship development institutions can meaningfully involve in start-up initiatives, professional institutions of industrial development can involve in entrepreneurship education. However, any one type of institution has constraints in having an integrated support system for enterprise development. Understanding such capabilities, individually and collectively, and utilizing and nurturing them, is the key task of public policy.

### 2.0. Capabilities: Alternative Approaches

Ever since Amartya Sen's seminal work on capabilities (Sen, 1993), the international donor community has increasingly followed a *capabilities approach*, akin to his theoretical framework. Amartya Sen defines capabilities in terms of the occupational matrix before a individual, and the extend of his freedom to choose from among them.

In Sen's schema, both the *capabilities* and the associated *resources* are at the command of the households, so that the rural poor can be the best judge of their livelihood opportunities, given the resources at their command. However, the sustainable livelihood (SL) approach, which guides much of the microfinance policy today, has some serious flaws: (1) the role of the private sector markets (their structure, participants, and functions) play in the livelihoods of poor people, is ignored; and (2) the role of technological change and its contribution to livelihood, is not taken care of.

The limited role given to technology and markets, as above, is a significant omission, which does not allow a meaningful analysis of the situation relating to micro and small enterprises. These two factors are integral to people's strategies and outcomes in the Sustainable Livelihoods approach (see, Albo and Scott, 2001).

Entrepreneurial capabilities mean more than the "best choice" under the sustainable livelihood approach. Entrepreneurship assumes a *thinking out of the box*. Promotion of this independent thinking, out of the box, is a major challenge of public policy.

It is in this context that the capabilities of the NSAs need to be reviewed. It is capabilities that distinguish these organisations as agents of change, apart from the routine role of *delivery agents* of government programmes.

How do capabilities become important, especially in a rural setting? Enterprise development initiatives are often misconstrued and discussed in an urban rather than rural setting. Sustainable livelihood is not a constant phenomenon; it changes from time to time. Famines and death happen perhaps once or twice in a century. How do capabilities respond to such a situation? Even when resources get depleted altogether, it is *entrepreneurial capabilities* that help poor people to quickly identify and adjust themselves to some other alternatives (see Box No. 1)

### Box No. 1

**How Famines Happen? The Bamboo Story** Bamboo is the mainstay of the livelihoods of millions of people in many Asian countries, including India. Though many studies have not taken place so far on the bamboo sub sector, the findings of some of the earlier studies are indicative. Bamboo handicrafts as a market segment has emerged only in the recent past. According to a study conducted by the Indian Council for Research on International Economic Relations (ICRIER) (1985), bamboo and rattan products made the largest single contribution in the handicrafts sector in India in terms of employment: 690 000 additional jobs (main workers) during 1961-81. Moreover, the growth of this sub-sector has been reported to be steady. Between 1961 and 1971, employment rose from 297 000 to 517 000. During 1971-81, it rose from 517 000 to 906 000. This sub-sector has also been noted for the high share of female employment. According to estimates, women employment in absolute terms rose from 169 000 to 362 000 between 1971 and 1981. Flowering of bamboo is a botanical enigma. The factors responsible for this are still not clearly established. Bamboos flower only once and die after flowering to regenerate from seeds. The strange phenomenon of simultaneous flowering in bamboo clumps in vast areas is called gregarious flowering and causes ecological havoc. This would lead to food scarcity, since several animals depend on this plant. The second factor is that rats feed on the flowers and seeds of the dying bamboo tree. This activates a rapid birth rate among the rodents, which leads to the huge rat population feeding on agricultural crops in the fields and granaries, thus leading to famine. This had happened in some of the bamboo-rich North Eastern states in the late 1950s. The first recorded flowering of *M. baccifera* was in 1863. A study by the Jorhat-based Rain Forest Research Institute (RFRI) predicted 'gregarious flowering' to occur in several northeastern states, over an area of 18,000 km<sup>2</sup>. The large fruits of *Muli bamboo* are also eaten by non-human consumers and the sudden enormous increase in their availability will cause a rapid explosion in the rat populations, whose numbers are related to the availability of food. The rats not only devastate the naturally regenerating seeds and seedlings, and thereby reduce the regeneration rate, but also destroy other crops and stored grains. Such famines have occurred in the Lushai hills of Assam (as Mizoram was known before its independence) 4, in 1815, 1863, 1911 and 1959. Throughout the North East, the flowering-induced famine in 1959 claimed 10,000 to 15,000 lives, and flowering in 1881 also claimed a similar number.

The example of bamboo, given as above, indicates that, even when famines take place in a regional setting, it is technology and markets which facilitate the poor people to survive. Where the bamboo flowers, the consequences on the local economy may be disastrous. However, technology and markets may make possible for the industry to survive, using alternative product and/or sourcing of raw materials from elsewhere in the country. Besides, the level of skills acquired, may help the poor people to migrate into other crafts and industries.

### 2.1. Skill Gap

Every new phase of the growth of the economy demands, corresponding progressive growth of skill-sets of its human resources. For instance, the massive spurt in technology over the past two decades, triggered essentially by the growth of information and communication technologies (ICT), should have resulted in a corresponding spurt in skills. However, the experience is to the contrary. Hard skills have grown, but there has been a significant decline in soft skills. Besides, many of the new skills are not of the appropriate type, as demanded by the market. Here lies the key role of **strategy**. New skills have to be created; old skills need to be polished. This simultaneous process should correspond to the needs of the economy at a particular stage of its development.

### 3.0. NSA Role

NSAs have an important role to play in the above context. For that, they should be equipped with the necessary **capabilities**. What role should they play? It depends on two things:

**3.1. The objective future needs of the economy:** Simple macro level projections, such as the number of doctors, engineers, and other skilled manpower required are often available. However, such projections need not help meaningful planning exercises. What are the constraints of the present delivery system? To what extent these constraints can be overcome, with the help of a meaningful involvement of the government and the private sector? Within the private sector, what is the perceived role of the non state actors? Answers to these questions are likely to make planning a more meaningful exercise.

**3.2. The observed impacts of the present NSA interventions:** Such interventions can be broadly of three forms:

#### 3.2.1. Subsectoral

There are several cases of subsectoral interventions by Non-state Actors (NSAs). In the Alleppey Coir Cluster in Kerala, the Ahmedabad-based NGO, Cluster Pulse, initiated a major project on business development services (BDS) which has proved to be successful in cultivating the message of BDS in a cluster context. Another example is the case of the New Delhi-based ASEED, which initiated a program of modernization and intervention of handloom development, in Bhagalpur, Bihar.

#### Box No.2

##### **Bhagalpur: A New Light for Handlooms**

A more recent perception on the handloom situation in India is that, this subsector has been losing out to Chinese look-alikes. The experience of handlooms produced from Bhagalpur, Bihar, an age-old handloom cluster of the country, is instructive. The famed banana-smooth tussar, a variant of silk fabric, which is a specialty of Bhagalpur weavers, has been losing out in the market. It registered a decline from the Rs. 300 crores business in 2007, to Rs. 60 crores last year.

According to a survey by ASEED, a non-government organisation operating a Weaver's Centre, there were over 35,000 full-time weavers in the year 2000, which came down to 17,000 in 2007. There are another 2,000-3,000 part-timers. The number of registered weavers with the cooperatives, of late, is just 7,500 to 8,000. Most weavers are paid a piece rate of Rs. 20 for each metre of tussar silk, while the middleman makes four times as much, as also the exporters who engage them.

The intervention by ASEED offered a survival kit involving: a) assistance for weavers to tap markets abroad; b) modern looms should be made available; c) adequate credit facilities for registered weavers; d) increased interface between designers, e) producers and buyers; and e) more weaver clusters to do away with middlemen.

#### 3.2.2. Cross Sectoral

During the process of development, it is natural that labor move across sectors and sub sectors of the economy. In economic literature, the discussion is largely in terms of agriculture-to-industry movements. But an aspect which has been least investigated is the shifting of labour from less productive subsectors to the more productive ones. For example, the acute labor shortage prevailing in SMEs in Punjab and in Kerala are examples which need investigation.

#### Box No.3

##### **The Impact NREGP on SMEs**

Ludhiana and Lalru consists of India's largest textile and hosiery cluster, contributing significant export earnings. Textile units in this cluster agglomeration are reeling under severe labour shortage. According to the office bearers of the Northern India Textile Mills Association, this severe shortage is due to a significant shortage in migrant labour. Migrant workers and local women constitute the major work force of this cluster. Migrant workers who earlier took a month off between April and

June, now prefer to stay back in their hometowns in the Uttar Pradesh and Bihar for a longer period, since they can earn for at least three months, while remaining close to their families. Away in their home villages, the National Rural Employment Guarantee Program (NREGP), offer them a subsistence. According to the National Council on Textile Industry at the CII, there is underutilization of capacities by 30 percent, due to labour shortage alone. While the local men prefer to work in agriculture and sectors other than textiles, this has been compensated by migrant workers who are ready to work overtime and in night shifts. Apart from the loss in production, this also leads to significant misutilisation of skills in the industry.

Similar stories have come from Orissa as well. According to the Utkal Chamber of Commerce and Industry, the minimum wages prescribed under the NREGP has impacted on wage rates and labour supply for the MSME sector. Similar cost push effects have been reported from the plastic industry of Orissa. However, there are also arguments that the adverse impact is mostly on recruitment of unskilled labour; the supply of skilled labour has not been affected seriously.

These kinds of complex changes happening in the economy need to be understood realistically and should be responded to the benefit of existing enterprises. It demands, capabilities of a higher order for NSAs to understand them and to intervene.

### 3.2.3. *Individual*

Macro economists and sociologists simply ignore the above dynamic processes in the economy, and hail NREG as a great boon to the problem of rural unemployment. While this asset-creation model, contributes to massive employment opportunities, its impact on labor squeeze in several related sub sectors, has been recently reported. The reports of the NCEUS and other studies, have not given due regard to these aspects.

## 4.0. Rediscovery of Capabilities

It is in this context that *capabilities* that are of a *professional* tinge become so important for NSAs, in order to deliver meaningful services to the cause of enterprise development in the country. All NSAs cannot gain such capabilities. The task of public policy, therefore, is to identify the few that offer some potential, and to make use of their services on a regular basis.

### 4.1. *Capabilities: A Process Approach*

Most discussions on capacity building are based on two rather incorrect assumptions: a) a rigid giver-taker relation; and b) capacity as a stock concept. A discussion on these two issues need some elaboration in order to have a realistic understanding of the situation.

An aspect often overlooked by planners and policy makers is the dynamic nature of capacity building. Capacity of a particular nature, is the outcome of continuous exposure of an organization to a particular environment. This environment can be created and nourished by the government, businesses and donors. Such a process approach highlights this environment as a process of continuous interaction between donors and recipients, against a particular context.

An argument on these lines also necessitates the need for examining capacity as a dynamic rather than a static concept. It need to undergo change from time to time, according to the emerging needs. For instance, a BDS provider cannot remain an exclusive expert in that area, unless he interacts with the changing business environment. It is this static approach that led to the decline of most public TCOs which were created for the purpose of leadership in SME development.

### 4.2. *Fine-tuning of Public Policy*

In order to cultivate capabilities, the policy environment should be sensitive to such a change. However, there are two major constraints that are observed: (1) the tax system in the country is not adequately sensitive; (2) public policy often do not distinguish between *actors* and *outputs*. Outputs are not often properly rewarded. Rewards come largely through **social visibility**, which is again dependent upon the social and political clout of organizations.

With the coming into lime light of micro finance movement in India, there has been a significant thinning of the distinction between enterprise development activities and livelihood promotion activities. While microfinance

and the SHG movement play an important role in terms of their innovative tools and techniques, the question as to, whether they lead to capacity building relating to enterprise development, is an aspect which needs thorough investigation. Providing livelihood opportunities, *per se*, does not mean creation of entrepreneurial capabilities. It only means the creation of a platform. Therefore, ascribing the variety of activities initiated by a few large organisations of social and political clout (see for instance, Kumar,2008), as enterprise promotion organisations, in a sense, means defeating the very purpose of private sector development in the country.

#### **4.3. Distortions in Public-Private Partnership**

The policy regime in India today, especially under the Eleventh Five Year Plan, encourages public private partnership. However, the concept of private sector need to be clarified and elaborated, not only from the point of view of planning and program implementation, but also in terms of its justifiability under the Competition Law. A basic principle of Competition Law is the elimination of all discriminatory practices in the market. However, the policy regime in the country is tuned in such a way ,that the government itself encourages such discriminatory practices. For instance, the RUDSETI model, as it is found in several public documents ,is an example of such a discriminatory practice, where a model evolved by public sector banks is highlighted by the government itself to discriminate against several worthwhile initiatives by the private players, small and large. Apart from the policy, the actual practice of enterprise promotion, in several stages, promote locally powerful organisations and outfits to misuse an otherwise competitive platform. In many states, the concerned government departments themselves have created Section -25 companies or outfits under the Societies Registration Act, in order to channelise centrally sponsored schemes and the funds involved therein. The Central Ministries often legitimise them by recognising them as Nodal Agencies.

The issues, as above, are highly significant in a case where the Planning Commission itself is keen to broad base the scope of PPP to the social sector as well. The Planning Commission has given directives to shape their PPP programs under the annual plan 2009-2010. In order to implement a PPP program at the individual Ministry/ Department level, it is highly important that the role of the voluntary sector is properly defined at the level of each Ministry.

In this context, the government's attitude towards these various actors has a key role in channelising such capabilities and initiatives. Similarly, the attitude of the corporate sector, including the public corporate sector, is also crucial. These issues are discussed in the next chapters..

#### **5.0. Professional Action for Enterprise Development**

Action for enterprise development comes from various sources. However, the effectiveness of such action depends upon the professional component that is involved in. The term 'professionalism' is often considered a "dirty word" in the realm of development debates, and is often associated with elitism and regarded as being instrumental in undervaluing and demeaning the unpaid work that voluntary community workers undertake. It also potentially divide development practitioners into those who are 'professional' and those who are 'amateur'. The term 'professionalism' has the archaic meaning of having or claiming knowledge or skill in something. Though a rather mechanistic division on these lines is unwarranted, in particular developmental tasks, it is necessary to have a free flow of some vital capabilities.

Developmental practice professes that "poverty cannot be managed away by technical solutions" and that "the capacity we most need to develop is our own creativity". It calls us to discern both sequential logic and coherence – to work with the tension in creation, not discarding either in favour of the other. But, on the other hand, it might be that, in this polarized world, one won't–can't–escape the divisive potential of calling oneself professional. If this is so, may be it would be better turn aside from this debate altogether, and explore instead, what it means to practice a developmental discipline for its own sake, irrespective of whether our work is paid or unpaid, or whether we consider ourselves – or are considered by others – to be professionals or amateurs.

#### **6.0. Identifying Professional Competency: Capabilities and Synergies**

While there can be differences of opinion on the role of the professional and the developmental activists in development action, in the actual practice of enterprise development, one need to have both a focus on individual capacities and synergies. While the individual capacities vary from organization to organization depending on their overall goal and orientation, or track record, it is necessary to bring such things to the

limelight. It is also important that, while accepting such difference, there should be a national program by which such diverging capabilities are synergized into one single pool. Such a pooling of efforts would naturally mean two crucial purposes: 1) to mobilize the internal and external capabilities for the requirements of India’s development agenda; and 2) to gear up such capabilities acquired as intellectual resources, which can be an exportable item, especially where India has achieved the status of being one of the two leading emerging economies of the world, the other one being China. For both these tasks, identification of such capabilities on a demand-supply angle, is vital. Visibility of the NSAs should go up. There should also be efforts, at the public policy level to ensure such visibility. However, such visibility and the transparency of NSAs are closely related.

The visibility and relation of the sample NSAs were analyzed based on their relation with policy maker/ government bodies. The details revealed from the sample study are as follows:

**Table 4.1: Visibility of the NSAs**

ernment– NSA relationship	Number of Respondents	Percentage
No contact	10	3.33
No contacts at any level by Government- no recognition	123	41.00
District- level and Block level bodies contact	48	16.00
State -level bodies contact	11	3.67
Contacts at all levels only when there is a pressing need.	100	33.33
No answer	8	2.67
Total	300	100

The level of involvement of NSAs in government programmes, as indicated by the above table (table 4.1) indicates the broad attitude of the governmental agencies towards them. However, such attitude also depends on several objective and subjective factors. The objective factors are: (1) the national patterns evolved for the implementation of particular programmes; (2) the availability and efficiency of appropriate NSAs to partner with, in these programmes; (3) the level of politicization, and political patronage; and (4) the level of academic infrastructure in the state concerned.

An examination of the patterns of channelisation of Central funds can be instructive.

Two broad patterns are observed here:

**State level Nodal Agencies:** Until 1990s, the concerned Ministries at the state level implemented the centrally sponsored programmes in enterprise development. More recently, a national pattern of programme implementations has evolved, wherein, the central funds are channelised through some State level Nodal Agencies(SNAs). Therefore, for most economic Ministries, such as MSME, Textiles, Renewable Energy and Food Processing, there are SNAs, which are under the administrative control of the State Governments. The Nodal Ministries of the Union Government, as also the State Governments prefer to engage these SNAs rather than the Non State actors in programme implementation for various reasons. The SNAs, in some cases, make use of the services of the NSAs, either because of convenience, or for the fact that their capabilities are limited.

**Levels of NSA Intervention:** In enterprise development programmes and projects, a lacuna often found in many states, is the lack of competent NSAs who can handle particular tasks efficiently. Depending upon this ground situation, broadly two patterns are observed in various parts of the Country. In Pattern-A, the State Level Nodal Agency channelises the Central funds and distributes it on a 50-50 sharing basis. 50% of the funds are retained by the SNA for administrative and supervision charges, and the remaining amount is spent for actual implementation of the project. Under Pattern –B, the sharing is done on a 20-40-40 basis, where the SNA retains 20% of the amount and the remaining 80% is divided between one national and

another grass root level implementing agency. In both cases, there is much wastage of resources, as there is not often adequate thrust on the quality of programme implementation.

### 7.0. Tracking of Capabilities: the Pre-conditions

The question of mobilizing the capabilities of the non-state development actors, as a question of resource mobilization, need to satisfy some pre-conditions. The first among them is the question of legitimacy.

Public policy, and its implementation, essentially pre-supposes the question of legitimacy. The state is obviously the supreme legitimate entity. But legitimacy, by itself, cannot ensure mobilization of capabilities. On the other hand, capabilities cannot be mobilized, without the active support of legitimate entities. Hence, the role of the government is a necessary condition for mobilizing capabilities of the non-state actors, but not a sufficient condition as well.

#### 7.1. Social Need and Legitimacy

The non-state actors are closer to the developmental problems, and therefore, they are better equipped to sense and to articulate a social need. Social interventions emerge in a particular context. For instance, the so-called "crisis of planning" in the mid 1960s, and the significant interest on poverty and related developmental issues was instrumental in the lead role played by the country's doyens in social sciences, like V.K.R.V. Rao, D.T. Lakdawala, J.P. Naik and K. N. Raj. The individual initiatives by a few such scholars, got subsequently crystallized into an institutional form of a highly decentralized nature, which gradually assumed the national umbrella organization called the Indian Council of Social Sciences and Research (ICSSR). The emergence of this umbrella organization signifies a good example of private initiatives gaining legitimacy. Another relevant example is the micro-finance movement, which gained significant legitimacy, in terms of the creation of a decentralized structure in banking.

The Planning Commission, from time to time, have used the capabilities of the non-state development actors, in a consultative role.

### 8.0 The Geography of Capabilities

Capabilities is the net result of the correspondence of various objective factors. These factors include, the track/background of the NSA, the business environment, pro activeness of government policy, availability of resources, role of the media, and their casualness of origin.

**a) Capabilities/Background of the NSAs :** Most NSAs are individual driven, and therefore, the educational and professional capabilities of the team leader matters significantly in the performance of the organization.

**b) Business Environment:** Organisations groomed in the background of massive social problems, such as poverty and deprivation, are likely to focus on micro level social issues.

**c) Pro activeness of Government:** Though, at the macro policy level, the role of NSAs has been highlighted, the practice varies from state to state. This has to be taken into account.

**d) Resource Base:** Smaller organizations with a limited resource base, often with presence of a strong programme, find it difficult to implement them.

**e) Role of the Media:** In a regional context media's role is significant in disseminating the work being done by NSAs

**f) Casualness of Origin:** The circumstances in which the NSAs originated, matter significantly in shaping their capabilities. For instance, major natural calamities, as also major multilateral and bilateral programmes in the country, have prompted the growth of NSAs, especially local NGOs, which in turn, have shaped the state of capabilities in this area. Once the specific context disappears, from the view of point of sustainability, the NGOs reinvent themselves into many convenient sectors. Such instances are observed in the case of the Lathur earthquake in 1993, the Bhuj earthquake in 2001, the Orissa super cyclone in 1999, and the devastating tsunami of Dec 2004. These incidents have also resulted in the growth of NGOs in various parts of the country, and their post- incident performance have significantly influenced the scenario of NGO capability in a regional setting.

Our field research indicates two broad patterns of NSA penetration.: a) the high intervention states of AP, Tamil Nadu and Maharashtra; and b) low intervention states of Bihar, Kerala, Madhya Pradesh and Rajasthan.

A closer review of performance of NSAs in these states indicates the challenges and opportunities of NSA capabilities in a regional setting. The experience of NSA performance at the national level, with special focus on the particular context of these six states, is indicative of the processes at the ground level.

**Table 4.2 Penetration of Regional and Local NSAs & Some Development Indicators**

State	Poverty Ratio*	HDI**		No. of NSAs	% of NSAs
		Value	Rank		
Andhra Pradesh	15.8	0.416	17	157	9.35
Arunachal Pradesh	17.6	0.328	26	3	0.18
Assam	19.7	0.386	23	32	1.90
Bihar	41.4	0.367	24	3	0.18
Chhattisgarh	40.9	0.311	28	13	0.77
Delhi	14.7	0.624	3	181	10.77
Goa	13.8	0.575	4	2	0.12
Gujarat	16.8	0.479	12	86	5.12
Haryana	14.0	0.509	10	33	1.96
Himachal	10.0	0.469	15	14	0.83
Jammu& Kashmir	5.4	0.402	19	3	0.18
Jharkhand	40.3	0.311	28	41	2.44
Karnataka	25.0	0.478	13	115	6.84
Kerala	15.0	0.638	2	38	2.26
Madhya Pradesh	38.3	0.394	20	59	3.51
Maharashtra	30.7	0.523	9	171	10.18
Manipur	17.3	0.536	7	9	0.54
Meghalaya	18.5	0.365	25	5	0.30
Mizoram	12.6	0.548	5	2	0.12
Nagaland	19.0	0.486	11	4	0.24
Orissa	46.4	0.404	18	131	7.80
Punjab	8.4	0.537	6	11	0.65
Rajasthan	22.1	0.424	16	60	3.57
Sikkim	20.1	NA	NA	-	-
Tamil Nadu	22.5	0.531	8	187	11.13
Tripura	18.9	0.389	21	2	0.12
Uttar Pradesh	32.8	0.388	22	129	7.68
Uttarakhand	39.6	0.315	27	16	0.95
West Bengal	24.7	0.472	13	102	6.07
A & N Islands	22.6	NA	NA	-	-
Chandigarh	7.1	0.674	1	3	0.18
Dadra & N. Haveli	33.2	NA	NA	-	-
Daman & Diu	10.5	NA	NA	-	-
Lakshadweep	16.0	NA	NA	-	-
Pondicherry	22.4	NA	NA	-	-

Source: \*Planning Commission, Poverty Estimates, 2004-2005

\*\*Planning Commission, National Human Development Report ( 2001)

**Andhra Pradesh:** The NSA experience of AP can be broadly identified in terms of the roles played by NGOs and SME Associations. NGO interventions of a significant kind during the 1990s can be found in terms of community development projects. In 1996, the Young India Project started its initiatives by unionizing the agricultural workers. It subsequently turned around to housing and livelihood activities. In 1997, the livelihood initiatives gained further attention with the involvement of CAP Foundation. In 1993, Thrift and Credit programmes began to be organized by the NGO, PEACE. During the late- 1990s, institutions of the Gandhian mould began to take roots, in the form of village development programmes and watershed programmes (eg: WASSAN and VMM)

The history of NGO movement in AP should be understood against the background of significant poverty levels and backwardness of the State, which required initiatives of the rudimentary type. In the new century, the state witnessed , pockets of progress, from various sources: the ICT revolution , growth of Hyderabad as one of the IT centres , and the enhanced foreign contributions meant for poverty eradication and rural development programmes, essentially by the non resident Telugus.

Despite the prominent place gained by Hyderabad in the IT map of the country, the manufacturing base of the State still remains backward. It is for this reason that the SME associations of the state, as stated by few studies (Devi,1998), still remains much backward.

The more recent, but isolated initiatives, have come from the CSR stream. For example ,Dr.Reddy's Laboratories , and the livelihood services- base offered by ACCESS Development Services and BASIX, as also the village adoption programmes of various NRI Telugus, deserve mention here.

**Maharashtra:** The Maharashtra scene has to primarily take into account its locational advantages, especially because of the presence of Mumbai as a city of business and enlightenment . The objective environment of Maharashtra can be explained in terms of, two of its critical areas, which demanded intervention by non state actors. On the one side was the urban informal sector, which was sought to be addressed by the urban elite. initiatives such as , Annapoorna Mahila Mandali and SEWA, as also the work by the various academic institutions based in Mumbai, have helped to bring to the limelight , the problems of poverty and deprivation in an urban setting. Development of urban skills was one area which gained significant attention (example: Don Bosco). Extension of management education to the rural context was the contributions of various academic and semi academic institutions such as the International Institute of Social Entrepreneurship Management, SP Jain Institute of Management, and Narsee Monjee Institute of Management.

A second stream which gained the attention of several non state actors was the vast rural hinterland of Maharashtra. Self employment promotion in the agricultural sector gained significant attention because of the initiatives of organizations like BAIF, and BDBV. Donor funded initiatives for entrepreneurship development came to prominence in the hands of organizations like Jana Prabhodini.

A third area of focus for NSA action was the Adivasis and Devadasis of rural Maharashtra. Much of the recent microfinance and livelihood programmes are targeted on these social categories (eg: Grameen Vikas Mandal). The CSR stream of NSA action is more recent. For example, new generation banks like YES Bank and Development Credit Bank have entered into SME business as a core area combining both business and social responsibility. The initiatives of L& T and the Tatas also deserve special mention in this context.

**Tamil Nadu:** Tamil Nadu stands first in the country in terms of receipts of foreign contributions. It witnessed a two hundred percent growth in foreign contribution(FC) inflows, from Rs 775 Crores in 2002-2003 to Rupees 2224 Crores in 2006-2007. Despite such huge FC inflows, the state of NSA intervention has not undergone significant changes. During the 1980s and the early 1990s , the focus of NSA action was on community health and rural development activities, with water supply and sanitation, and the welfare of agricultural workers as its focal point. The so called "Dindigal phenomenon", wherein the ground for mushrooming of a number of NGOs was provided by the objective environment created by institutions like Gandhigram Rural Institute. In the 1990s, a number of foreign donor funded initiatives came into existence in areas like child labour, rural sanitation and human rights. However, despite the industrial growth of Tamil Nadu, the percolation effect of such growth to the grass roots was rather compartmentalized. While on the one hand, SME associations are active in most parts of the state, decentralized production could not pass on its benefits in terms of poverty reduction and reduction of regional imbalances.

More recently, the micro finance movement has made significant headway in Tamil Nadu with significant forward linkages in economic activities like dairy piggery, manufacture of palm leaf products, house hold fibre making, etc.

Despite the above interventions, the role played by Tamil Nadu government in engaging the NSAs remains rather compartmentalized. While ,on the one hand, there is a positive relationship between the state Industries Department and the MSME associations, the initiatives of other ministries to engage non state actors remain far from satisfactory. Probably the marginal support given by the TN Women 's Development Corporation is the one initiative which deserves some mention.

**Rajasthan:** The case of Rajasthan is characterized by a low extent of NSA penetration. However ,most of the NSAs that operate in the State are the larger ones, and mostly with innovative programmes. This, to a large extent, reflects the quality of governance which the State has already demonstrated. Rajasthan is a State that has created success stories in Panchayathi Raj. The State stands out as the first one to come out with a Livelihoods Development Policy in 2001. The initiatives of NSAs in Rajasthan significantly corresponds to the stage of industrial development of the State. Programmes like, 'each artisan an entrepreneur', initiated by the Jaipur Rugs Foundation, rural infrastructure initiatives by the Bhoruka Charitable Trust, clean energy initiatives by the Cairn energy, are examples of enlightened corporate sector initiatives on the CSR mode.

Development advocacy is one area in which significant initiatives are lacking in many states. However, the initiatives of Astha Sansthan, ABSSS , Sahyog Sansthan and Jatan Sansthan, contribute to qualitative interventions on the advocacy line. The initiatives of agencies like Morarka Foundation in the area of new ventures like organic farming and certification, tourism promotion, waste management, vermi compost, conservation of heritage, etc, provide a solid base for NSA activity in the State.

Despite these foundations, there lies significant potential for new NSA initiatives, in order to enhance the vibrancy of the economy of the State.

**Kerala:** Kerala's NSA story is very much founded on the so-called 'Kerala Model of Development', which has already found its place in international development literature. The story behind Kerala's polarized growth, with a heavy thrust on health and education, was shaped by a constellation of factors, of which, the role of caste-communal equations, and out migration stand out.

An economy which is highly dependent on the tertiary sector, Kerala should naturally attract NSA interventions of a high quality comparable to the western world. However, Kerala's lopsided development, along with the strangle- hold of the above social groups, have crippled the growth of NSAs in a significant manner. SME associations are highly inward looking and conservative. The NGO sector is yet to come up in a significant fashion. Professional institutions are dormant, and other non state actors are subject to controls by political parties and bureaucracy. CSR interventions are not much in existence as the private corporate sector itself has only a weak base. The public corporate sector, including the public sector banks, do not prefer to have any worthwhile NSA linkages.

While Kerala stands out in terms of its contributions in several social sectors, especially health and education, the penetration of caste and communal groups/organisations in NSA activity has had its negative consequences. It has stolen away much of the dynamism and capacity creation that is expected from this sector. For instance, the Christian churches dominate and control much of the NGO activity in the State.

**Madhya Pradesh:** The economic backwardness of Madhya Pradesh despite its larger size, has also crippled NSA growth in the State. Large investments in the State are largely in the public sector. A constellation of social factors, such as prevalence of caste system, tribal dominance, and traditional agriculture, have resulted in a significant concentration of NSA activity in health and educational sectors, as against meeting the challenging needs of other sustainable economic activities.

The lopsided growth of NSA sector in Madhya Pradesh is clearly demonstrated by the low number of local NSAs, both small and large, who come forward to grab opportunities emerging out of a growing economy. In the livelihoods sector, it is the initiatives of major international donors that helped to bring to the limelight livelihood issues and to instigate government departments. Producer's associations of SMEs and craftsmen are weak. Local programme interventions are largely made by national chambers like FICCI and CII and by NGOs from outside the state.

**Bihar:** The particular socio political geography of Bihar has shaped the role and relevance of NSAs in Bihar. With several social indicators against it. Bihar offers a rationale for enhanced intervention by NSAs. Naturally, many large donor organizations are operative in the state, focusing largely on environment and social sectors.

Bihar has a significant legacy of its premier educational institutions like XLRI, having significant outreach programmes. However, the local capacity of NGOs is relatively poor. The target of NGO activities are largely in the advanced districts: Abhiyan and Srishti Foundation in Patna. Cdor in Nalanda. Azad India Foundation in Kishanganj. Grama Vikas Parishad in Madhubani and Adithi in Patna.

SME Associations in the State are weak. Large international and national NGOs dominate the scene and backward districts remain relatively unattended.

Flagship programmes such as Backward Regions Grant Fund Programme have not been able to make any major progress because of a weak PRI system, and since most NSAs are from outside the state, they are rather reluctant to take up issues that are likely to confront the local power structure.

An analysis of the relationship between the key development indicators of the States, in relation to the status of presence of NSAs, is likely to lead to useful results. An understanding of why and how NSAs come into existence and grow, is crucial in order to understand their social relevance. Similarly, it is also important to understand the nature and causation of poverty and underdevelopment, in order to explore strategies of mitigation. But an understanding of the line of causation is relatively difficult.

The two indicators of critical importance present here are: 1) action for enterprise development; and 2) the presence of poverty and underdevelopment, which, alternatively is an indicator of lack of enterprise. Action for enterprise development is indicated by the presence of NSAs having a related action programme. On the other hand, the state of development (enterprise) can be proxied by the poverty/development indicators.

NSA presence, in the present analysis, is confined to the number of NSAs in existence in a particular region. The size distribution of the individual NSA is not taken into account. In fact, size may have a significant influence on performance. Since such data are difficult to be arrived at, we assume homogeneity.

It is rather difficult to arrive at the state of enterprise development in a regional setting. Picking up indicators of 'industrial development' also can be misleading, as 'industry' and 'enterprise' are not conceptually coterminous. Considering these constraints, the two key development indicators often used by the Planning Commission, viz., HDI and Poverty Ratio, had been used for the present study also.

### **Regression Analysis**

In order to establish the linear relationship of the effect of NSAs in the States with the relevant development indicators, an analysis of regression was done by considering the number of NSAs present in each of the State, with the National average of development indicators (HDI) and Poverty Ratios) as independent variables. The regression analysis shows the interdependency between the variables; it explains the strength of the National indicators interrelated with the number of NSAs present in each of the State. This analysis reveals a positive indication that, the NSAs play a positive relationship relating to development as expressed by HDI and poverty ratio. But is that positive role specific to enterprise development, or does it mean only an overall change? This is a subject which needs more detailed research.

**Table 4.3: Regression Results**

<i>Regression Statistics</i>	
Multiple R	0.440731781
R Square	0.194244503
Adjusted R Square	0.132263311
Standard Error	58.405727
Observations	29

<i>Anova</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
<i>Regression</i>	2	21381.08188	10690.54	3.133926543	0.060345182
<i>Residual</i>	26	88691.95261	3411.229		
<i>Total</i>	28	110073.0345			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-141.842353	82.63329718	-1.71653	0.097958363
X Variable 1	2.762486584	1.193194943	2.315201	0.028756317
X Variable 2	296.0874838	137.7563615	2.149356	0.041087787

But what is the contribution of NSAs? Are they change agents, or do they simply make use of the opportunity?

The above discussion indicates that the NSAs often find a **business case** in being present in poverty-stricken and underdeveloped areas of the country. The fact that such a business case exists, *ipso facto*, need not imply that the NSAs are active agents of development. On the other hand, they make use of an ideal opportunity, which can also mean an exploitative relationship. This also indicates that, NSAs, rather than being proactive, in some cases, are actors who make the best out of a situation. Therefore, from the point of view of regional planning, it is difficult to anticipate their key role as agents of change. However, given other objective factors, they can play a significant role as agents of change.

The implication of the above discussion is that, rather than using NSAs as agents of change in a regional setting, their role need to be defined and specified in the national context. Such a specification would lead to clarity on the way forward, both for the planners and NSAs alike. Only such macro level understanding will swing NSAs as agents of change.

This discussion should lead us to an understanding of the specific features of enterprise development in States having a strong presence of NSAs. Available studies do not indicate any clear relationship between NSA presence and the growth of MSMEs in particular states. Perhaps, more quantitative information is needed in order to understand the type and specific capabilities of NSAs present in these states. For example, larger NSAs can perform better or not, depending upon the particular objective situation in a State.

**9.0. The Experience of Backward States and Regions**

One of the major roles perceived by the NSAs reaching out the unreached part of the country. Public policy in the country visualizes a significant role for the NSAs to reach the most backward states and regions, where the NSAs are expected to have much greater access.

Table 4.4 Backward Districts and their NSA Presence.

States/Districts	Category (High/Low Intervention)	District Level NSA Presence (High/Low)	Donor Presence (High/Low)
<b>Madhya Pradesh</b>	<b>L1</b>	L	
Balaghat		L	L
Barwani		L	L
Betul		L	H
Chhatarpur		L	L
Damoh		L	L
Dhar		L	H
Dindori		L	L
Guna		H	H
Jhabua		H	H
Katni		L	L
Khandwa		H	H
Khargone		L	L
Mandla		L	L
Panna		L	L
Rajgarh		H	H
Rewa		L	L
Satna		L	H
Seoni		L	L
Shahdol		L	L
Sheopur		L	L
Shivpuri		H	L
Sidhi		L	L
Tikamgarh		L	L
Umaria		L	L
<b>Bihar</b>	<b>L1</b>		
Araria		L	H
Aurangabad		H	H
Banka		L	H
Begusarai		H	H
Bhagalpur		H	H
Bhojpur		H	H
Buxar		L	H
Darbhanga		H	H
Gaya		L	H
Gopalganj		L	H
Jamui		H	H
Jehanabad		L	H
Kaimur (Bhabua) Katihar		H	
Khagaria		L	H
Kishanganj		L	H
Lakhisarai Madhepura		L	H
Madhubani		L	H
Munger		L	H
Muzaffarpur		L	H
Nalanda		L	H
Nawada		L	H
Pashchim		L	H
Champanan		L	H
Patna		L	H

**Table 4.4 Backward Districts and their NSA Presence. (table conti.)**

States/Districts	Category (High/Low Intervention)	District Level NSA Presence (High/Low)	Donor Presence (High/Low)
Purbi		L	H
Purnia		L	H
Rohtas		L	H
Saharsa		L	H
Samastipur		L	H
Saran		L	H
Sheikhpura		L	H
Shivhar		L	H
sitamarhi		L	H
Supaul		L	H
vaishali		L	H
<b>Kerala</b>	<b>L1</b>		
Palakkad		L	L
Wayanad		H	L
<b>Andra Pradesh</b>	<b>H1</b>		
Adilabad		L	L
Anantapur		H	H
Chittoor		H	L
Cuddapah		L	H
Karimnagar		L	L
Khammam		L	L
Mahbubnagar		L	L
Medak		H	H
Nalgonda		L	L
Nizamabad		L	L
Rangareddi		L	L
Vizianagaram		H	L
<b>Maharashtra</b>	<b>H1</b>		
Ahmednagar		L	L
Amravati		L	L
Aurangabad		L	L
Bhandara		L	L
Chandrapur		H	H
Dhule		H	H
Gadchiroli		L	L
Gondia		L	L
Hingoli		L	L
Nanded		H	H
Nandurbar		H	H
Yavatmal		L	L
<b>Tamil Nadu</b>	<b>H1</b>		
Cuddalore		L	L
Dindigul		H	L
Nagapattinam		H	H
Sivaganga		L	L
Tiruvannamalai		L	L
Villupuram		H	H

Source: Survey data

Note: L1 stands for 'low intervention states', and H1 for 'high intervention states'  
L and H, 'low' and 'high', respectively.

This raises two key issues:

- (1) Are there enough presence of the NSAs in these regions?
- 2) Are they able to provide a program which reflects the true needs and aspirations of these people?

Our research gives some indications which provide important inputs for policy formulation.

The study made a special effort to identify the most backward districts of the country, and their presence of NSAs. It gives the following results:

- 1) Despite the specific thrust given by the Government of India under the Backward Regions Grant Fund Programme (BRGFP), the initiatives and potential of the NSAs remain grossly underutilized in most of the backward states.
- 2) The local base of NSAs is much weak. The major source of NSA activity is triggered by large internationally funded projects, which retain the services of national level NGOs, in order to penetrate into these states and their backward areas. For example, two large livelihood projects, one each in Madhya Pradesh and Bihar, have retained the services of a number of national NGOs.
- 3) While BRGFP is targeted to capacity building of Panchayathi Raj Institutions, the indications are that the involvement of NSAs in such programmes is much limited.
- 4) The indication is that, large field level projects initiated by major donors have to constantly retain the services of national NGOs, whose contribution to local capacity building is often doubtful.

The above finding leads us to the question of the role of NSAs under decentralized governance. Are the NSAs comfortable with the local power structure? If not, to what extent can they contribute, at ideological and practical levels, for improvements in the existing situation? Can the large donors operate largely at the policy level, focus on local capacity building, and enter into Programme agreements with national NSAs? This would also be a better means of reducing aid dependence. These are issues of interest in both the effective implementation of Panchayathi raj in the country, as also for enhancing the quality of implementation of public development programmes.

## **10.0. Overall Assessment**

Beyond the specific patterns observed in the case of the two extremes of high intervention and low intervention states, there are also some broad indications which are relevant for policy formulation. These may be summarized as follows:

### ***10.1. Sphinx Model***

The 'Sphinx model', as the name indicates, has the head of the private sector, and the body of a government system. The examples of the same are available in various parts of the country. The best example probably is the RUDSETI kick started by the joint initiative of two public sector banks, Canara Bank and the Syndicate Bank, along with a private Trust. The model gained significant momentum, as the ministries began to support it extensively. Such support need to be examined in the context where the "milch cow phenomenon" of IRDP was rampant in the country. The State level Bankers Committees became a platform for allegations against one another between government departments and the public sector banks, where, the poor performance of anti-poverty programmes were explained away in terms of the inefficiency of one another. Finally, the public sector banks themselves evolved this model. RUDSETI imparts technical skills to unemployed hands, link them with the banks, so that the banks, in turn, can "successfully" implement the anti poverty programmes.

The sphinx model has caught up in two phases. In the first phase, RUDSETI's were set up one each in various states. In the second phase, each bank began to set up their own RUDSETI's, partly due to the directives of the Reserve Bank of India, and much more as a status symbol for the respective banks.

Beyond the achievements and pitfalls, these models demonstrate an important lacuna of private-public partnerships in India, where the public sector is extremely suspicious of the intentions and credibility of a growing group of non state actors. The fact that the public sector banks do not engage in any worthwhile CSR initiatives, should be explained partly in terms of what they do through the RUDSETIs.

### 10.2. Religious/Communal Model

India has a tradition of religious groups and communities engaging in community services. The temple trusts and some of the social welfare organization of the Christian churches have been involved in such community service activities. Since the last about a decade, some of these organizations have entered into activities closer to promotion of entrepreneurship, such as ,vocational training and micro finance. The initiatives of SKDF, KASA and Caritas India deserve mention in this context. The contribution of these initiatives to the stream of entrepreneurship promotion however is doubtful, as these organizations are often reluctant to work in government programmes in a true partnership mode.

### 10.3. Private Foundations Model

There are a few private foundation models in Europe and the United States who have created a model of their own by working with NSAs in India. For instance, the German private Foundations, that highlight their commitment to free enterprise and private sector development, work with industry associations and chambers in the country. On the other hand, many of the US Foundations involved in ICT based developmental activities, are also active in various parts of the country.

### 10.4. Micro Finance Model

Several of the private donors in USA, UK and the EU countries make use of micro finance as an effective platform for their operations in India. These donors support large micro finance institutions in the country in the form of the corpus contribution for enhancing their capacity for onward lending.

## 11.0. The Experience from the Field

The field interviews were so structured to capture the relative capabilities of the sample organizations, from the point of view of their role as catalysts of enterprise development and livelihood promotion. The broad finding that emerge from this research, are the following:

### 11.1. Enterprise Development as a Programme Area

- 1) The emergence of enterprise development- focused organisations, is a relatively new phenomenon. The age distribution of organizations indicate some important results (Table: 4.1)
- 2) The majority of the organizations are involved in a variety of programmes where enterprise promotion constitutes only a smaller component (Table: 4.2). This points at the limited sustainability of the organizations themselves, which arise probably out of two reasons. On the one hand, they choose to get involved in multiple programs without having adequate organizational focus. But for most organizations, such focus itself was constrained because of limited sustainability and limited public recognition.
- 3) A major finding relates to, lack of a solid and independent programme for most organizations. The clarity in the mission statement of the sample organizations was examined in detail. It indicates a significant focus on “bandwagons” such as “overall development” and “micro finance”, as against more specific functional areas.

**Table 4.5 Key Mission Statement of NSAs**

Mission	Number of Units	Percentage
1. Overall development of the locality	97	32.33
2. Empowerment of women	105	35.00
3. Skill Development	20	6.67
4. Providing livelihood opportunities	68	22.67
5. Qualitative changes through enterprise development	10	3.33
Total	300	100

4) The above finding necessitates an opportunity as well, for the Planning Commission, to develop the modalities of a programme partnership which is not only supply-sided but is demand -driven as well. This is because,

the non-state actors have a closer understanding of the grass root level processes which could be properly articulated from the point of view of plan formulation, provided these organizations are involved in the appropriate manner and in time.

5) Another major finding is that most organizations are forced to utilize a major part of their capabilities to address the sustainability question rather than to address the issue of organizational visibility. This, to a large extent, is due to their limited resource position. The majority are very small organizations. Organizational visibility was often too much associated with the individuals who lead them, rather than by the strength of their programme.

**Table 4.5 Size of Organizations**

Category	Average size (no. of employees)	No of organizations
Very Small	Less than 10	164
Small	50	73
Medium	100	49
Large	More than 200	14
Total		300

6) Another key finding is the wastage of organizational capabilities at various levels. In this spree for ensuring sustainability, most organizations try to operate at micro and meso levels, while a principle of comparative advantage could have helped them to exploit their maximum potential. There is no point in a major think-tank utilizing its capabilities in the organization of micro-level programmes.

7) Among the major constraints on capacity building, is the very orientation of the organizations. Most such organizations are one- man driven, and therefore, the educational background, exposure, and orientation of the chief executive mattered a lot in enhancing the capacity of the organization as a whole .

**Table 4.7: Key Capability Areas**

Areas	No.of units	Percentage
Livelihoods	32	10.67
EDP training	11	3.67
BDS	8	2.67
Technology diffusion	6	2.00
Marketing	11	3.67
Others	71	23.67
No specific area	161	53.67
Total	300	100

**12.0. Tapping of Capabilities: Strategy Options**

Our field investigations lead us to the following critical constraints for tapping the capabilities of the non-state actors. The constraint areas, as available from samples drawn from different Zones was analyzed and tested. The contingent analysis calculated the expected frequency for the observed frequency of the variables selected. The *Chi-Square* results explain the significance of the variables selected. The results are given below:

***Chi-Square Analysis***

In order to identify the dependency of the Key factors affecting the role of NSAs in different regions, a contingency analysis was done. The major factors identified for different regions are given in the table below.

For establishing the independence/dependence of the factors, a *Chi-square* test was carried out. The key factors required for the smooth functioning of the organisation were taken into consideration for the analysis, in respect of each Zone. The expected frequency and the observed frequency for the selected variables were calculated:

We considered the four important identified variables and their values were examined zone-wise. The *Chi-square* test value is much greater than the limit value; the different of the variable shows high level of significance. The results indicate that there is a strong interdependence of the regions and the variables.

**Table 4.8: Critical Areas of Constraints**

Areas	South	North	East	West	Total
Lack of resources	66	46	22	56	190
Lack of adequate staff	16	11	5	8	40
Lack of training	8	13	9	7	37
Don't know	4	6	12	11	33
Total	94	76	48	82	300

**Table 4.9: Results of the Chi- Square Test**

Observed( $O_i$ )	Observed( $E_i$ )	$(O_i - E_i)$	$(O_i - E_i)^2$	$(O_i - E_i)^2 / E_i$
66	60	6.467	41.818	0.702
16	13	3.467	12.018	0.959
8	12	-3.593	12.912	1.114
4	10	-6.340	40.196	3.887
46	48	-2.133	4.551	0.095
11	10	0.867	0.751	0.074
13	9	3.627	13.153	1.403
6	8	-2.360	5.570	0.666
22	30	-8.400	70.560	2.321
5	6	-1.400	1.960	0.306
9	6	3.080	9.486	1.602
12	5	6.720	45.158	8.553
56	52	4.067	16.538	0.318
8	11	-2.933	8.604	0.787
7	10	-3.113	9.693	0.958
11	9	1.980	3.920	0.435
				<b>24.181</b>

**Contingency Table**

Areas	South	North	East	West
Lack of Resources	59.533	48.133	30.400	51.933
Lack of adequate staff	12.533	10.133	6.400	10.933
Lack of training	11.593	9.373	5.920	10.113
Don't know	10.340	8.360	5.280	9.020
Total	<b>94</b>	<b>76</b>	<b>48</b>	<b>82</b>

Our discussions at various levels, analysis of field feedback, and introspection, lead us to the following strategy options:

### ***12.1. Confidence-building***

The initiatives in this area need to be of the type and kind which will give appropriate signals to the non-state actors. The signal should be that, organizational capabilities will be recognized and rewarded. While there are some awards such as the Alcan Prize, micro-finance sustainability awards, as also the awards of the British Council, these are just isolated initiatives. In the public eye, there is no reward mechanism so far, in order to recognize the contributions of the non-state actors. Therefore, there is no mechanism by which, organisations with a good track record can be identified.

### ***12.2. Documentation***

There is no mechanism of public documentation of capabilities which could readily be utilized, as and when the need arises for the government or for the market. The sector is so invisible that, the government, even today, uses crude mechanisms such as, a certificate by the concerned Village Officer regarding the track and sustainability of the organization, review of three-yearly annual report and accounts etc. An appropriate method of documentation has yet to be developed, which could uniformly be used throughout the country. The responsibility to remain **visible** in the public eye, should be with these organizations themselves. These initiatives by the organizations should be supported by the government, through showcasing of best practices, awards etc.

### ***12.3. Tri-Partite Mechanism***

An important mechanism for tracking capabilities, is to make each organization as part of a tri-partite mechanism. Such a mechanism should have as its focal point, a regulatory body which should confine itself to the role of head-count. This body can preferably be called the Office of the Registrar of Non-governmental Development Organizations (**0/0 RNDO**). The tri-partite mechanism should have, as its members, relevant Ministry/Department of the Government, the Planning Commission and the Office of the Registrar. Most of the NSAs are Societies, registered under the Societies Registration Act, and as such, are registered under the Office of the District Registrar (General). While registration is expected to be renewed annually, there is no reliable database on this today. Therefore, the current status of organisations, especially those organizations that ceased to exist, are not available at all. We, therefore, recommend that a copy of renewals of registration, should be electronically transferred to the Office of the Registrar, as and when the renewals take place. This can happen, if, at the state level, the State Planning Boards take the responsibility.

### **13.0. Need for a Mission Mode Intervention**

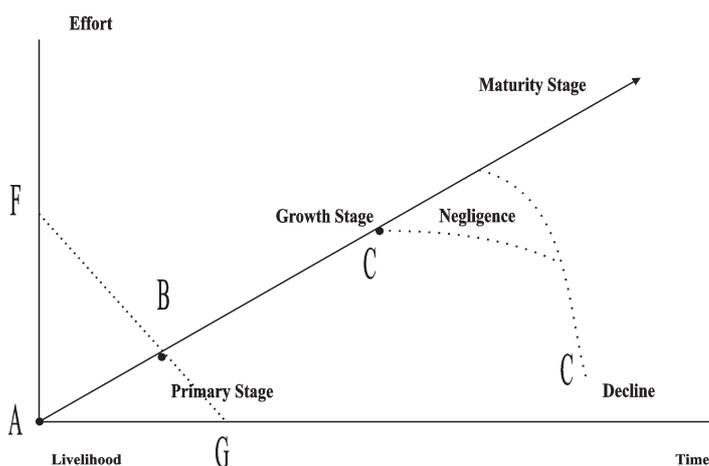
Given the rigidities of the functioning of the government, it has now become fashionable to initiate Mission mode interventions, which are more flexible in their approach and content. There are a number of such interventions in sectors like handlooms, sericulture, jute, rubber, etc, where commodity boards and specific missions created by the government, in turn, engage NSAs. More recently, anti poverty programmes also have been implemented on a mission mode (eg: Madhya Pradesh, Rajasthan, Kerala)

Given the presence of the above models, various states of the country demonstrate different levels of receptivity in engaging NSAs in their development process. The fact that a state is having the presence of large number of NSAs, need not mean that it is more receptive than others, and vice versa. However, such receptiveness is the outcome of a variety of factors. This is something which public policy has to focus attention on. Karnataka, for instance, which started its community services programmes at the instance of temple Trusts, and of the traditional NGOs, has broad based its initiatives over the past decades. The state now has a significantly broad based NSA system which can act as the nutrient for the development momentum of that State. Orissa which started its intervention programmes in 1970s, especially in the context of Orissa Super cyclone, has gradually moved from the traditional focal areas such as community development, water,

sanitation and tribal development. During the past about a decade, the NSAs in the State have started playing a significant role in development of crafts and rural livelihoods, especially in districts like Koraput, Malkengiri, Ganjam. Though there is the presence of many public sector companies in Orissa, CSR activities are yet to take roots. While having the presence of many donors, the State can make major leaps beyond what it is doing now.

The key orientation of the NSAs is a reflection of their capabilities. However, such orientation emerges essentially from two major sources: a) donor funds; and b) the educational and professional background of the CEO. Hence, organizational capabilities are inextricably related to individual capabilities.

**Fig. Growth Curve of the Firm/Sub sector**



A change in the above order of things, is what is warranted by the functional approach NSAs, as advocated by this study. Such a functional approach is vital for utilizing the NSAs as a crucial tool of development.

In a functional approach, the capabilities in relation to the functional areas are the sources of strength, which need to be fostered through policy action. Such policy action demands an integrated approach to the development of NSA capabilities. Initiatives on a Mission mode can best achieve the results on these lines.(see Fig:)

In the diagram, AB represents the two poles of **livelihoods** and **entrepreneurship**, the distinct options available to the individual. From the primary stage of entrepreneurship, one can move forward and cross the growth stage, either to maturity or to negligence and decline. Much of the public policy action, as well as the NSA activity today is confined to the triangle AFG , an area with limited coverage.

Initiatives beyond AFG, however, demand a much diverse and innovative package of efforts, which cannot be done effectively through the conventional methodologies and programmes. Initiatives on a Mission mode can be more effective in this regard. Beyond enhancing the capacity of NSAs, this can lead to an altogether different programme of public private partnership, with an active role of the NSAs. It can progressively constitute a distinct component for the Five Year Plans as well.

In a schema, as above, the questions as to how the capabilities of the NSAs need to be enhanced, and in what programmes they need to be involved, are part of the wider questions of development policy, as outlined by the Five Year Plans.

**14.0.**

**Conclusion**

A mismatch between programmes and delivery system is often a key constraint in enterprise development. In this context, the role of NSAs has often been articulated as a bridge between the two. However, unless the question of capabilities is addressed appropriately, the involvement of the NSAs in government programmes is not likely to lead to much productive results.

# 5

## Tapping the CSR Potential

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### 1.0. Dimensions of the CSR Agenda

While it is generally accepted that the NSAs have a crucial catalytic role in enterprise and livelihood development in the country, the live experience and imperatives in this area need to be discussed in terms of the specifics of the demand for such capabilities and the supply position. The demand-supply position is **relative** in terms of the business environment in which the corporation operates. An international donor, depending upon its funding routes, develop a strategy specific to India, and chooses to operate in particular states having a specific advantage. An Indian company, on the other hand, depending upon its operational and business interests, chalk out a strategy for the whole country. (eg: Tatas). A public sector corporation, on the basis of a mixed bag of political and business interests, get involved in CSR activities(eg: Hindustan Paper Corporation Ltd). In some cases, these strategies are also influenced by the strong influence of CSR intermediary organizations(eg: Partners in Change). While there are various influences on the dimensions of CSR agenda by particular companies, it is necessary to have a **digression** on the basic requirements of enterprise promotion, in order to have an understanding of their contribution.

### 2.0 Basic Requirements for Enterprise Promotion

There is the well known debate as to” whether entrepreneurs could be “ created” or not. This debate of the early 1970s has now settled down, in favour of a consensus, that positive initiatives for entrepreneurship development have a role to play in moulding the level and status of entrepreneurship in a particular region or country.

### 3.0 The Demand Side

The basic requirements of enterprise and livelihood promotion, as it has been generally accepted today, relate to the following key areas:

#### 3.1. Knowledge

In most discussions on enterprise development, the focus is largely on its practice; the knowledge position of the entrepreneur do not often get adequate attention. We are living in a knowledge economy, where experience is one of the significant factors influencing growth of knowledge -driven enterprises. Traditional enterprises, on the other hand, are on the decline.

Knowledge resources required for enterprise and livelihood promotion, belongs to broadly three areas:

- a) Capabilities in understanding and analyzing the economy, and more specifically, the local economy;
- b) Hard skills in areas such as, marketing, accounting and technology;
- c) Soft skills such as skills in negotiation, liaison and related skills.

The knowledge base relevant to enterprise development and livelihood promotion is significantly skewed. The institutions are often the key actors or repositories of knowledge, and the quality of the knowledge so available with these institutions determine the quality of services offered by them. For example, initiatives surrounding entrepreneurship development have become increasingly fashionable during recent times. Naturally, a large number of universities, colleges and management institutions have entered into the bandwagon of entrepreneurship training. The question, then, is to what extent the knowledge resources at various levels percolate into entrepreneurial activities.

### **3.2. Exposure and Linkages**

The exposure of the entrepreneur influences entrepreneurial behaviour, and consequently, the firm's performance. Exposure comes through linkages, and linkages, in turn, are dependent upon the external environment, as also the entrepreneurial attitudes.

The exposure and linkages often remains critical constraints. Exposure often comes from experts. But the question as to, who is an expert is something which requires detailed investigation. For instance, in many parts of India, chartered accountants give mentoring, training and support for start-ups. According to them, the entrepreneurial skills are contiguous to accounting skills.

### **3.3. Resources**

It is the resources that permits translation of knowledge and linkages into action. It also includes, both financial resources as also the entrepreneurial environment available in a region.

### **4.0. The Supply Side**

The supply side contribution comes from various actors. The relevance of such contribution is dependent on the basic capabilities of those actors.

The Chambers of Commerce often have a limited view of enterprise development. According to them, entrepreneurship is essentially imparting a knowledge which is already experienced by the fellow entrepreneurs.

While the Chambers as an institutional platform can often claim to have such capabilities, in practice and by culture, they can better function as lobbies or dignified business entities, and much less as agents of hard and soft skills.

NGOs in India, by culture and practice, are largely not tuned to undertaking real services in the right sense of the term, because their skill base is often too weak to take up such responsibilities. On the one hand, the NGOs are used to handholding government programmes, rather than, developing and preparing a program of their own. This owes to two main reasons: First, the peculiar human resource base that they have, may be a limiting factor. Civil society organizations in India are largely manned by hands from the 'social work' educational stream. They often lack the elementary capabilities of designing and implementing an economic programme. In the design of economic programmes, what is crucial is not the 'should bes', but the praxis of hardcore economic principles.

Given the diverse backgrounds and capabilities on the supply side, it is extremely difficult for publicly-run enterprise and livelihood programmes to communicate effectively with the delivery agents of such programmes.

### **5.0. Overview of CSR in India**

Before the term and concept of corporate social and environmental responsibility came into common usage in the 1990s, the terms "charity" and "philanthropy" were prevalent in business.

Sundar (2000) differentiates between charity, philanthropy, CSR and corporate citizenship, and claims to capture and present the shifts, from merchant charity to corporate citizenship in India, with CSR in between. Such shifts occurred over the nineteenth and twentieth centuries, as business responded to evolving societal needs and demands.

Three distinctive features of Indian philanthropy are discernible: First, it is largely a story of Indian businessman, as historically women did not play too important a role in business philanthropy. Second, it is a story of indigenous rather than expatriate business. Even though foreign businesses have had a major presence in India, their aim has been profit maximization rather than the development of the country. The exceptions are some TNCs that have been present in India over a longer period of time and which have become more or less "Indianized". Third, as in most of Asia, philanthropy is largely a story of family businesses.

While religion's influence has receded with corporate growth in the West, religion played, and continues to play, an important role in Indian business philanthropy. The concept of parting with a portion of one's surplus wealth for the good of society, Sundar(2000) argues, is neither a modern nor a Western import into India.

### **5.1 Early Industrialization Phase (1850-1914)**

The first phase of business philanthropy in India consisted of a shift from charity for purely religious reasons during the pre-industrial era toward a more Western form of philanthropy in the period between 1850 and 1914. These early stages of industrialization witnessed newly rich business families setting up trusts and institutions such as schools, colleges, hospitals, orphanages, widows' homes, art galleries & museums.

The substantial amount of Rs. 110 million left by Sir Dorabji Tata was used to establish the Sir Dorabji Tata Trust, which went on to promote the Tata Memorial Centre for Cancer Research and Treatment, the Tata Institute of Social Sciences and the Tata Institute of Fundamental Research (Lala 2004) – all of which are still prestigious institutions.

The mid-to late 1800s also saw the emergence of business associations to protect British and indigenous industrial and commercial interests (Rungta 1970; Kochanek 1974). The Calcutta Chamber of Commerce was formed in 1834, followed by the Madras and Bombay Chambers of Commerce in 1836. European trading houses were the principal members of these Chambers and, as such, represented the interests and opinions of European commerce and industry. Indians followed the example by forming their own associations 50 years later. The Bengal National Chamber was the first Indian chamber established in 1887. Very soon, a host of other chambers were formed by Indians to represent their own business and trading interests. Some of these associations were also formed to represent business interests of particular castes, as well as ethnic and religious groups. These organizations provided the platform for individual or collective social efforts toward charity (Rungta 1970; Kochanek 1974).

### **5.2. The “Golden Age”**

During the second phase (1914 -1960) of business philanthropy, which Sundar termed the “golden period” of both Indian capitalism and business philanthropy, philanthropic practices matured. This period also saw many political donations to the freedom struggle and contributions to social and cultural causes associated with the nationalist movement. Industrialists like G.D. Birla, Jamnalal Bajaj, Lala Shri Ram and Ambalal Sarabhai, all believed to be influenced by Mahatma Gandhi and his theory of the “trusteeship” of wealth (Narayan 1966), contributed to Gandhi’s reform programmes, such as those targeting the situation of untouchables, women’s empowerment and rural development.

Domestic businesses were initially influenced by the British and were largely neutral on political affairs until they realized that there were better prospects for industrial success in an independent India. British economic policies in India in the 1930s had not been favourable to the Indian industrialists (Renold 1994; Rothermund 2000). The open hostility of the British to India’s industrialization and planning resulted in a marked shift in the traditionally cautious line followed by big business toward the British Raj (Renold 1994).

After independence, several businesses supported the creation of institutes of scientific and technical research, as well as art academies and institutes for the study of Indian history and culture. Such initiatives on the part of businesses have often been credited more to enlightened self-interest than to any philanthropic rationale. Palestia (2005:197) states, “a large and distinguished corpus of scholarship on ‘gifting’ in India has sought to explore the moral, social, political, and economic linkages of gifting and authority formation and legitimacy, as well as the relationship between donor and recipient”. That said, the positive effects of those investments have been felt, and realized by companies, especially in information technology (IT); information technology-enabled services; and automotive, pharmaceutical and biotechnology sectors since the mid- 1980s (Das 2002; Verma 2004).

### **5.3. Business and Community Development Under State- led Development**

The third phase of Indian Business philanthropy(1960-1980), coincided with a period of economic and political troubles, in which business operations were constrained. The euphoria of a newly independent nation, post-1947, coupled with enthusiasm for growth with equity, social justice and a self-reliant democratic state built on the foundation of science and technology- a Nehruvian vision- led to considerable public support for the government’s socialist agenda (Sundar 2000; Khan and Debroy 2002). The Government of India increasingly took on many social obligations (see Inamder 1987; Chaturvedi 1987).

The national strategy of import-substitution industrialization, foreign-exchange control, reservations for and protection of small-scale enterprises, industrial licence and quota systems for “raw material” production, and so on- led to a declining interest in corporate philanthropy, together with an increase in corporate malpractice and manoeuvring for survival and profits. This was abetted and facilitated by a monolithic bureaucracy and corruption at both national and state levels.

At the same time, the wrath of society against the capitalist mindset ( Das 2002; Khan and Debroy 2002), unethical practices by some businesses and their narrow focus on profits, contributed to a feeling of mistrust in the Indian business class ( Sundar, 2000) . High taxes to finance state-led development further contributed to the disinclination to part with private wealth for public benefit. Ironically, the high-tax regime, aided by the deterioration in business morality, led to a large expansion in the establishment of charitable trusts. However, it is quite apparent that such actions were motivated more for the purposes of tax planning and evasion than for any real philanthropic reason (Sundar, 2000).

On the eve of India’s Independence, just 18 families owned almost every company in the country and, between them, manufactured nearly all the industrial products that were being made at that time. They were also involved in international trade (Sundar ,2000). However, societal dislike of the private sector during the second half of the twentieth century led to a preference for government employment over that of the private sector jobs were mostly offered to people of the same caste and community as that of the business family. This, in turn, assured a degree of loyalty to the business family (Piramal, 1998).

By the middle of the nineteenth century, the common form of corporate governance in India was the managing agency system that had been established by British traders. This system allowed British businessmen to control vast economic empires with minimum investments (Tripathi , 2004; Reed and Reed ,2004). The managing agency system proved beneficial for and relevant to Indian businesses because it was ideally suited to the Hindu Undivided Family (HUF) system in India, which had operated on a limited basis in business for centuries. Since independence in 1947, the HUF has been treated as a separate legal entity in Indian tax laws, which has helped to keep tax liabilities to a minimum (Tripathi 2004; Dutta 1997). The family members of upcoming Indian industrialists could share in the general profits of the managing agency rather than becoming entangled in a division of the underlying assets of the managing agency empire, which would not suit the family culture.

Under the socialist political pattern, which sought to break the economic might of the few families who controlled Indian business, the government had, by 1970, completely abolished the managing agency system (Reed and Reed 2004). However, the result was limited as investment companies with cross shareholdings sprang up to help shelter income conceal ultimate ownership, and keep businesses under the control of the joint or undivided family ( Herdeck and Piramal ,1985; Tripathi, 2004). In the late 1960s and early 1970s the government set up several enquiry committees to investigate corporate malpractices

The 1970s witnessed a revived corporate interest in social concerns, but in the new form of *corporate* philanthropy, as opposed to family business philanthropy (Sundar 2000). This may be largely attributed to the changes in corporate governance structures, as discussed above. The failure of government to handle issues of poverty and bring about social change at the desired pace had also led to a disillusionment on the part of the people (Sundar 200). Moreover, the ever- widening gap between rich and poor led to fresh societal demands to the corporate sector to spearhead change.

The year 1965, therefore, proved to be a turning point in the debates over CSR in India. There was a spree of similar events organized by different organizations across the country as well as various writings on the issue by academics and other professionals. Following a second seminar in Calcutta in 1966, some concerned industrialists began initiatives to promote social responsibility among private business. The Council for Fair Business Practices (CFBP), established in 1966, was one such initiative focused on fair trade practices in the interest of consumers. The members of the CFBP agreed to comply with voluntary norms of business ethics formalized under a Code of Business Practices (CFBP 2004).

Increasing unemployment and decreasing governmental capacity to provide social welfare (which threatened not only profitability but the very survival of companies, too) led to the shift in their response. Social unrest was rife across the country, exemplified in the unprecedented labour unrest in West Bengal during 1969-1970 and the Naxalite movement of the 1970s.

On the corporate side, the realization that supporting community development through Philanthropic activities may be in their own best interest probably changed corporate thinking. Although some business leaders had long been conscious of their role and the need to contribute to development, the demands from the 1970s onward had put many others on the spot. More and more business leaders started practicing and advocating for social responsibility on the part of businesses (Sundar 2000). There were also shifts in corporate thinking on the forms of philanthropic giving. Concerns over ethical practices and environmental issues started gaining attention – at least in rhetoric, if not in reality. The causes supported by business diversified to include forest protection, scientific and technical education, the preservation of monuments, women’s rights and consumer education (Sundar).

Khan (1981) was probably the first person in India to conduct a primary investigation into the perceptions of CSR among executives. Of the 41 senior executives interviewed at companies in Delhi and neighbouring Ghaziabad, 98 per cent considered that CSR was relevant to business. It was also found that quality control and product improvements, as functions of CSR were preferred over issues like urban renewal and development, or cultural and environmental activities. The other important areas in CSR, as perceived by Indian executives at that time, included employment and training, contribution to education, and air and water pollution. Khan’s other findings included mention of the constraints on CSR, such as competition and rising prices.

#### **5.4 CSR under Economic Liberalization.**

The liberalisation era since 1980s saw a large increase in corporate activity. This also led Indian businesses to be more exposed to both domestic and foreign competition. The Indian corporate sector is now large and diversified. As of 2001, about 584,100 share holding companies, with an estimated aggregate paid-up capital of \$70,062 billion 19 operated in the country. Among these were 1,262 government companies and 582,922 non-government companies with paid-up capital of \$18,403 billion and \$51,659 billion respectively.

Since 1991, when the process of economic liberalization began in earnest, the number of foreign companies in India has been increasing steadily. As of 2001, there were 1,213 foreign companies operating in India, many in the IT industry (Monga 2004).

The growing profitability of many corporations increased their willingness and ability to give; this coincided with a surge in the public’s and government’s expectations of business. The fourth and contemporary phase, called *corporate citizenship*, as noted by many authors, marked “away from charity and traditional philanthropy, towards more direct engagement in mainstream development concerns and in helping disadvantaged groups in society”. This proactive engagement also means a clearer articulation of the corporate perspective on development and a defining of the terms of engagement for itself. To understand the nature of engagement of the Indian corporate sector with development concerns, it is interesting to look at the sector’s response to a call from the government in 2004 seeking corporate sector support in giving jobs to disadvantaged groups. On the whole, Indian businesses questioned extending the job reservation policy to the private sector. The few businesses that agreed to apply the policy asked for tax breaks. The corporate response on job support to the deprived groups reflects an elitist perspective of development premised on the belief of providing equality of opportunity for the vast sections of poor and deprived.

Historically, the Left-wing political parties in India provided an important platform for channelling discontent, not only during the independence struggle but also in the aftermath of decolonization. From the mid-1970s, the perspectives which reflected dissatisfaction and often disillusionment with the organized Left began to influence intellectual and political discourse. At the same time, non-party, grassroots social formations began to emerge (Kothari 1986a, 1986b, 1988). These non-political organizations often took the organizational form of NGOs.

India was one of the first countries to create a space for collaboration between the government and NGOs to facilitate development (Sen 1993). New types of NGOs appeared, notably the “welfare-oriented” NGOs in the 1960s and “empowerment-oriented” NGOs in the 1970s. The emergence of both groups is related to the socioeconomic and political context of India at that time, including the professionalization of the sector, resulting in viable employment opportunities for young professionals. The government also began to see NGOs as implementers or service provider and supported them through grants, as long as the NGOs in

question were not too radical. From the late 1970s, India also witnessed increased domestic support for NGOs that held development objectives and that raised funds from individuals and the private sector. Many civil society organizations (CSOs) started advocating on issues of critical importance to poverty reduction and sustainable development and so moved beyond focusing on labour and consumer concerns (Sen 1993).

The government's control of the non-profit sector increased in 1980, when the Union Budget (1983) limited the funds that non-profit organizations could receive from industries. This Act removed income tax exemptions that were previously given to industries for donations to rural development projects undertaken by non-profit organizations (Kothari 1986a). Around the same time, all tax exemptions from income-generating activities of non-profit organizations were lifted.

During the 1980s, with the end of the Cold War and disintegration of the Soviet-type economies, radicalization of people often took place outside the circles of traditional Left-wing organizations. This phase saw the spread and strengthening of new grassroots movements, which differed from the earlier ones in terms of the concerns and methods of mobilization. The new movements were not confined to rural areas. The new activists largely came from the urban middle classes and defined their exploitation and oppression, and the system that generated these, in newer terms.

A whole range of activities including education, "peoples' science", health and the environment, came to the fore. Grassroots mobilizations against large national and transnational projects – such as the construction of large dams and the consequent displacement of communities, and the patenting of life forms and plant genetic materials with the implications of farmers' rights – became common. These issues were not addressed by the earlier rural-based grassroots organizations. Although many activists in these movements had strong sympathies with the radical Left and in certain cases, these groups were consciously formed as fronts for radical Leftist groups – they became ideologically independent and more broad based in their support, composition, programmes and activities as their activities expanded and became institutionalized. The entry of new civil society actors on the development initiative ground can be seen in this context. Thus, in the 1980s, there took place a paradigm shift in thinking on strategy towards social intervention.

Given the high incidence of poverty and deprivation, the role of charity in social change and development began to be increasingly questioned. Businesses were expected to contribute more toward social development, to engage more constructively with poor communities and to contribute to national goals of development. Interestingly, one of the first issues to be adopted by the big businesses in response to such challenges was high population growth. The population of India stood at 381 million in 1951 and had approximately doubled, in just 30 years, to 683 million in 1981, and was projected to double again to 1.3 billion by 2006 (Rothermund 2000). The annual sessions of various major, or "apex", bodies of industries during the 1980s highlighted the "dangers" of unchecked population growth (see Singh, 1988).

In the 1980s, the contemporary phase of the business/ society interface began, characterized by a dynamic corporate sector on the one hand and a variety of approaches to social development on the other (Sundar 2000). This phase witnessed increased productivity in the corporate sector. Although by 1980 the number of people employed in the public sector increased by almost 40 percent, there a decline in its overall productivity and output. At the same time, there was an actual decrease in the number of people employed in private industry, energy and construction; however industrial growth continued due to increasing productivity and output (Rothermund 2000).

The issues of growth, productivity, effective management and social responsibility of business acquired an important place in the debates, and to some extent, in corporate practices during the 1970s and 1980s in many Asian economies, including India. This is well demonstrated by the fact that the Asian Productivity Organization (APO) organized an Asian symposium on the social responsibility of business in 1983, bringing together delegates from many Asian countries. Besides discussion on aspects of growth, productivity and effective management, there was a common agreement on a definition of social responsibility of business:

The 1980s not only saw the emergence of new grassroots actors but also substantially enlarged business community. Several new business groups became successful in a remarkably short time. New family-owned and – managed businesses such as Reliance Industries, Escorts, Gujarat Ambuja and Ranbaxy joined

the old established family-owned and – controlled businesses like Tata, Birla, Bajan and Mahindra, with established dynastic and corporate traditions, and the old non-family owned and professionally managed groups like Hindustan Lever Limited (HLL), ITC Limited, and Larsen and Toubro Limited. Medium-sized groups like Excel and TVS Suzuki were on the rise, as were companies like Sona Steering, Microland and Malladi, and multinationals like Pepsi and Motorola.

Socially, underdevelopment persisted in the 1980s and much of the 1990s as India ranked low-below many other developing countries – in the Human Development index, the Gender Development Index and the Gender Empowerment Index. Thirty-six per cent of the total population lived below the poverty line, 25 and about 50 per cent of the adult population was illiterate. The poorest among the rural population did not have access to basic health services. Many villages had no potable water facilities, and there were added problems of environmental pollution, shrinking forest cover, child labour and widespread human rights abuse. Maternal and infant mortality were among the highest in the world, even among developing countries. Nearly 40 per cent of the school children were dropping out before completing primary school and girl child, in particular, suffered discrimination of every possible variety. At the same time, social expenditure continued to be minimal (Sundar 2000).

It was this climate of extreme social need in the wake of limitations on public finance, coupled with improved returns to industry and a pro-business environment, which necessitated increased initiatives on the part of the business community. The emergence of civil society actors facilitated the attention of business toward social work (Sundar 2000).

### **5.5. *The Corporate Sector and Disadvantaged Groups***

Corporate sector support for disadvantaged groups has been on the agenda of the government of India for many years. From time to time the government has tried to create a government-private sector partnership on social justice, at times asking businesses to institute a quota system for disadvantaged groups (known as Scheduled Castes and Scheduled Tribes, or SC/STs). The policy reservations in the public sector has been used for some time as a strategy to overcome discrimination and act as a compensatory exercise. Given the fact that, a large section of the society in India was historically denied rights to property, education, business and civil rights through untouchability, the reservation policy put in place safeguards against such discrimination. In fact, the policy exists precisely because there was discrimination in the private sector in terms of civil and political rights, in land and capital markets, and in education and social services. Some kind of an anti-discriminatory policy for the private sector therefore appears to be a necessity.

### **5.6 *Contemporary CSR: An Overview of Initiatives***

The above discussion suggests that diverse societal, regulatory and ideational forces have shaped and institutionalized CSR in India. The analysis suggests that the origins and drivers of CSR in India are more diverse than those found in other developing countries where CSR thinking and initiatives are primarily foreign and relatively new.

Studies by scholars like Khan (1986), Khan and Atkinson (1987) and Krishna (1992), taken from research carried out in the early 1980s, show again that the concept of CSR was already firmly rooted among top- and middle-level managers. Using a sample size of 529 company executives, Krishna (1992) studied attitudes on certain aspects of CSR in large public and private sector corporations in India. Respondents felt that CSR was an important aspect of business. His findings showed that:

- the majority of the respondent managers felt changes were taking place in societal values (98.48 per cent);
- the respondents saw a dominant role for industry in shaping a socialistic society (81.66 per cent); and
- that there was an increase in public demand for socially responsible behaviour by the industry (90.7 per cent)

Much of the history of CSR in India has centered on philanthropy. Although contemporary CSR is generally regarded as qualitatively different from Philanthropy, the latter can play an important role in institutionalized CSR. Mittal (1988), in his book *Social Responsibilities of Business: Concepts, Areas and Progress* – one of the earliest books on CSR in India – describes the CSR initiatives of many companies in India. Although those initiatives appear to be more than mere *ad hoc* philanthropic acts, or limited to community development activities, the interconnectedness between traditional corporate philanthropy and CSR is crucial and holds promise for its future. Moon (2002) has argued that although the objects of philanthropy remain outside the company, such forms of involvement tend increasingly to institutionalize CSR in company deliberations. One of the important points raised by Mittal (1988) has been that the Tata Iron and Steel company Limited (TISCO) and ITC were the first organizations in India to utilize the concept of the social audit to measure their social performance in the late 1970s.

The outstanding examples of the corporate philanthropy are the Tata Trusts, which together gave out grants of over Rs 400 crore in 2007-08, about half of it directly funding livelihood programmes of various kinds – land, water, forests, livestock, handicrafts, renewable energy, training, microfinance and the rest mainly for health and education. Many NGOs have received funding from the Tata Trusts over the years. Another example of this kind of philanthropic work is Lupin's Human Welfare Trust in Bharatpur, Rajasthan and Bhoruka Charitable Trust in Churu, Rajasthan, supported by the ITC Group.

In the second category also, one of the top examples is the Tata Steel Rural Development Society (TSRDS), a CSR initiative around the Tata Steel plant in Jamshedpur, Jharkhand. TSRDS runs livelihood programs related to agriculture, irrigation, watershed and livestock development, and various income-generation programmes. Other examples of CSR livelihood efforts are in the Aditya Birla Group, around their cement factory in Mirzapur, Uttar Pradesh and ITC Ltd around their factories in Munger, Bihar and Saharanpur, U.P.

An example of doing livelihood promotion through involving the poor in the value chain is ITC Ltd's '*e-Choupal*' which is a village-level agricultural commodity procurement platform, predicated on giving the farmer a fair price, comparable to the *mandi*, but at his doorstep. This direct purchase gives the farmer an option to sell when he thinks the price is good, rather than be forced to do so. ITC saves dual transportation cost by carting the produce direct to its processing factories, apart from being assured a loyal supply base of farmers. In a different effort, ITC has also farmed out the production of its *Mangaldeep* brand of agarbattis to SHGs formed by NGOs.

Another example is FabIndia, a handloom and handicraft product marketing chain, which sources its products from thousands of rural weavers and craftsperson all over India. In Madhya Pradesh's Khandwa region. BioRe Ltd works with over 10,000 cotton farmers to help them grow organic cotton, which it then procures from them at a premium. Lakewise, Pepsi works with BASIX-supported farmers in Jharkhand to procure special chip grade potatoes for its Frito Lays factory near Kolkata.

Milton Friedman's classic statement(see, Friedman,1970)"the business of business is business" is well known.However,it is not surprising that perhaps the maximal benefits towards the livelihoods of the poor have been,unintentionally, generated by business corporations.The greatest example of this in our times is the mobile telephone. The number of users in India as in March 2008 was over 260 million, a number which implies that a substantial number of poor households also own mobile phones. Apart from making the lives of millions of migrants and their families easier by enabling them to communicate, the mobile phone has become a tool for enhanced productivity among self-employed workers such as masons, plumbers, carpenters, caterers, masseurs, tutors,fishermen, and so on, who do not have any fixed work place.

Apart from direct and indirect increases in productivity and generating a large number of jobs, it is estimated that over three million people in India are now making a living fully or partially from mobile telephony related services, an unintentional impact on the livelihoods side.

**Table 5.1: The Four CSR Models**

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K. Gandhi
Statist	State ownership and legal requirements determine corporate responsibility	Jawaharlal Nehru
Liberal	Corporate responsibilities limited to private owners (Shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders – customers, employees, communities, etc	R.Edward Freeman

Since the 1980s, the line separating the domains of private economic interest, such as that embedded in share holder value principles, and social responsibility, exemplified by the stakeholder debate, has to some extent become blurred. Investors, consumer and social activists are all voicing demands for large enterprises to adopt policies and practices to improve the environmental, labour and other social impacts of their business activities. Patrons and financiers are increasingly injecting their social values into the realm of economic transaction. The question really is: Do consumers and investors act on their social values in product and capital markets, or does this social activity occur only on the margins? Do firms have the will and competence to respond to demands to be socially responsible? What role does regulation play in such situations?

There have been many developments in recent years relating to the growth in ethical consumerism in Western markets. These have led to a corporate response to concerns over environmental impacts, labour relations and efforts such as social auditing, independent monitoring, social certification and social label programmes which suggest that issues from the social realms (the introduction of social values and preferences in economic markets) are emerging in many sectors, particularly in North America and Western Europe. So what do the firms with headquarters in developed economies do when they start manufacturing in developing countries? Are domestic firms in developing countries displaying any social responsibility through their own policies and action? The discussion below examines the efforts of consumers, investors, enterprises and other national and international actors to facilitate the development of an environment for promoting social responsibility in India.

## 6.0. The Business Case

While the demand and supply sides are so, the key question that determines a CSR intervention need to be discussed. In CSR literature, there are two cases for initiating a CSR intervention: a) business case; and b) social case. In the former case, CSR is built into the overall business strategy of the company. However, in the latter case, the purpose of intervention is rather indirect, i.e, enhancing the overall reputation of the company. Our field research indicates that, most companies in the corporate sector did not consider a business case for promoting enterprise development related CSR activities.

In an enterprise development agenda, identification of a business case is more important, and having more long term effects. The reason is that, it facilitates the co –operation of two types of business entities to co – operate on a common understanding of mutual benefits. In the Indian context, however, the business case has not yet been properly articulated so far. The prime cause probably, is, despite the significant size of the SME sector and its contribution, the SME regime in the country, in terms of its visibility, is rather weak.

### Box No. 1

#### From Chapattis to Bracelets: The Tata Case Study

The Village Women Empowerment Programme of Titan Industries Ltd, which was later proved to be something of a success, began when a group of women in the remote villages of

Kalagopachandram and Medugarapalli, Dharmapuri district, Tamil Nadu, were asked to make *chapatis* for Titan factory workers at the SIPCOT Industrial Area in Hosur.

This turned out to be the beginning of a long and fruitful association. As these women were unable to ensure the quality of the *chapatis*, they were asked instead to take care of the laundry in 1993. Looking for avenues to better the standard of living of these women, Titan then roped in MYRADA, an NGO that works on social causes. Titan came up with a proposal with MYRADA, in 1995, to start a bracelet assembly unit.

A District plagued by female infanticide, these and many other villages located in the vicinity were in desperate need of upliftment. “We were extremely happy with their professionalism and wanted to do our bit, to improve the living conditions of these women.

Titan’s decision, and above all, its faith in these women came as a boon to MYRADA, which initiated the Management of Enterprises and Development of Women (MEADOW), a subsidiary that is solely dedicated for women empowerment in these villages. Meadow, which implements programmes, was quick to grasp Titan’s needs and then identify a work group to accomplish the task.

Satisfied with the professionalism displayed by these women, Titan then decided to increase production and in 1996, requested Myrada to convert the bracelet unit into a privately-held company, one owned and run by the women themselves. Myrada, in association with Plan International, a UK-based NGO, invested nearly Rs.1.5 million which was, in turn, converted as an asset of MEADOW.

Today, not only is MEADOW owned by the women of these villages, but it also takes care of its near 200-strong employee force in times of need.

MEADOW has three women directors who have seen the organisation grow from its early days. Profits are shared equally among the employees, with a significant amount being added every year to the corpus fund. This takes care of the Company’s various needs, as also upliftment activities for the employees’ families.

### **6.1. Articulation of the Business Case**

Having a business case for promotion of civil society initiative for enterprise development, is not sufficient. It need to be properly articulated. There are four discernible cases which need close examination:

#### **6.1.1. Effective Outsourcing Opportunities**

Exploration of effective outsourcing opportunities, taking into consideration the overall business policy of the Company, is characteristic of this category. The “Capattis to bracelets Case Study”, widely quoted in CSR literature is a classic case belonging to this category ( see Box .1). This case study shows how the Tata’s have evolved their CSR strategy with significant focus on enterprise and livelihoods promotion.

#### **6.1.2. Cost- effective Social Infrastructure**

The setting up of a plant in a remote location demands, not only physical infrastructure, but social infrastructure such as educational institutions, health care facilities etc. Beyond philanthropy, companies can develop a business case as well in this context. A community approach, involving components such as employee volunteering, can produce substantial results. Our field research shows that initiatives in this context are limited in the Indian context.

#### **6.1.3. Effective Dovetailing with Existing Public Programs.**

Many of the public programmes of enterprise development, and the community programmes of the corporate sector are now being run parallelly, with much duplication. There are enormous possibilities of synergizing them.

#### ***6.1.4. Formalising Partnership in Public Programmes.***

Many of the public-private partnership programmes today can be fruitfully formalized and scaled up for creating a wider impact in the area of enterprise development. While the opportunities are enormous, there are several constraints which need immediate attention. In this context, two key issues deserve special attention: a) the definition of a public program; and b) the organizational culture of the corporate entity which enter into a CSR agency. In India, there are some missing links, which, even with significant donor potential, still remains untapped.

#### ***6.1.5. Public Financial Institutions: The Untapped Potential***

One of the key sub sectors in this context, with significant potential, is the public financial institutions in the country. The size of the public financial institutions, in terms of their asset position, is huge. While the distinction between development banks and commercial banks has almost disappeared, it is possible and vital for all financial institutions to enter into developmental activities. There is obviously a business case for public financial institutions to consider these as a CSR area. From this angle, it is necessary to year mark atleast one per cent of the budget of all public sector banks in the country for a meaningful CSR agenda. At the aegis of the RBI, this should be created as a Composite Fund. While the individual banks can utilize the fund independently, the guidelines for such utilization has to be laid down by the Central Bank

#### ***6.1.6. Rejuvenating Development Finance***

Based on the recommendations of the Khan Committee, the development banks have diluted their development orientation over time. While SIDBI used to year mark around two percent of its budget on P&D expenses, even this has come down over time. It is high time that, the programmes of the development banks are rationalized and divided into two categories. The main category can be their usual direct financing and refinancing activities. On the other hand, several of the social enterprise- focused programmes can be built into a single Fund. This fund can be utilized on the basis of a solid agenda, which the DFIs should prepare on lines of the Plan priorities. This will also enable to reduce large amounts of money being distributed on several programmes. This should also be dovetailed with a clear voluntary sector strategy on lines of the NPVS. The priority sector lending norms of the RBI need to undergo major changes. A Task Force on CSR should be set up in the Prime Minister's Office For a thorough review of the present state of CSR in the Country and to make policy recommendations.

### **7.0 Need for Catalysts**

Our discussion, as above, shows that there is lot of latent potential with the NSAs. The key question, however, relate to addressing the mismatches. The voluntary sector can be used a tool, both by the government and the private sector. However, it will not happen, unless public policy spells out its details in terms of strategies and institutional structures.



# 6

## Public Policy and the Development Sector: Some Key Issues

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### 1.0. Introduction

Despite the several opportunities offered by the non governmental development sector as a new platform in the enterprise development agenda, several constraints remain to be overcome. They are of two types: 1) those that are influenced by the external environment; and 2) constraints that are internal to these organizations themselves. The purpose of this chapter is to discuss these constraints, from the point of view of an effective implementation of the NPVS.

### 2.0. Entrepreneurs and their Environment

The development and characteristics of small and intermediate enterprises, to a large extent, depend on the entrepreneurs and their motives, qualifications, resources, and social networks.

The low income levels and large instability in the economy often force people to rely for their survival not on one activity, but on a mix of wage labour and entrepreneurial activities in small or large enterprises. Their association to labour market organizations and unions, therefore, tends to become rather unclear, while on the other hand, social and family networks become more important. For the small entrepreneurs the result is often that they are only able to focus part of their energy and resources on the enterprise and, therefore, of course, are also less likely to succeed. This, combined with a general lack of capital and skills, and an often-hostile policy environment, makes it impossible for most small entrepreneurs to develop their enterprises beyond a very small size. In India, the owner-entrepreneur phenomenon is also strong. According to the Third Census, 82 per cent of SSIs are proprietary concerns. These ground realities hint at the opportunities and constraints relating to enterprise development strategies.

Most small enterprises are self-financed by loans from family or other informal sources. According to two surveys by the NSSO, as many as 92 per cent of the unorganized manufacturing sector units, and 86 per cent of the service enterprises have been reported to be not receiving credit from formal financial institutions. This is one of the virtues of small enterprises, partly because they would not be able to survive slack periods if they were to pay high interest on loans, and partly because the small enterprises are able to exploit sources of capital which otherwise would not be available for the development process. On the other hand, lack of capital undoubtedly is an important constraint for their development. The micro finance movement, however, has provided a significant platform in India.

#### 2.1. Quality and Innovation

The structure and content of education and training undoubtedly play an important role in the development process. However, the precise nature of the relationship between education and development is far from clear, and at best one which only makes itself felt in the long run. The World Bank's present insistence that governments in the developing countries should concentrate on providing universal basic education, and leave vocational training to the enterprises, may of course be reasonable where the educational system is very little developed. However, in the long run, such a policy is likely to support the already existing industrial structure, to be based partly on sweat-shops using unskilled labour and partly on large enterprises based on narrow internal training.

After independence most developing countries have attempted to create a Fordist type of industrialization based on large enterprises. Although many such countries also established small enterprise development institutions, the political climate has, therefore, generally not been favourable.

While entrepreneurship education is still to take significant roots in India, the entrepreneurship development movement has taken roots.

### **3.0. Strategies of Industrialization**

Since the Second World War, a number of different strategies of industrialization have been propagated in developing countries: import substitution, export orientation, basic needs industrialization, and of late, agricultural-demand-led- industrialisation. Most of these strategies perceive industrialisation as a transfer of technology from the industrialised countries, and they tend directly or indirectly to relate the production to the market structure and production system in the industrialised countries. This is most clearly the case for the export-orientation strategy propagated by *IMF* during the 1980s in connection with the structural adjustment programmes. But it is also the case for the import substitution strategy where the production is geared towards products which alternatively could have been imported from the industrialised countries, and therefore use their technology. It is also, to a large extent, true for the industrialisation associated with the basic needs strategy advocated during the 1970s by a number of countries. Here, the market was locally determined, but the production technology was typically a mass production technology.

Until the 1980s, most discussions of industrialisation were explicitly or implicitly based on the perception of a process leading from small scale to large scale production. The continued existence of small enterprises and informal activities was seen as an economic anomaly to be avoided. The small enterprises, at best, were seen to have a social function, but in the long run, they had to disappear. During the 1980s this perception gradually changed. Researchers, donors and governments have increasingly focused on the positive role of the small enterprises in the industrialisation process. However, the strong focus which the World Bank and many others have on the 'graduation' of the small enterprises indicates that these enterprises are still to a large extent perceived as an intermediate solution.

This contrasts with most of the new theories of production systems developed during the last 10 to 15 years, e.g. flexible specialisation, network theories, theories of informalisation and the regulation school. These theories see the co-existence of many different production and distribution technologies as the norm, although the balance between the different technologies and organizations will change over time, partly as a result of the prevailing policy regimes.

Some writers have tended to see this process of change as a very simple stage model changing the production system from small scale production over Fordism to post-Fordism (flexible specialisation or informalisation). Others see it as a much more diversified process where national and local policies, resource endowments and social organisation as well as individual actors play an important role in structuring the production system. Here, the different forms of industrial organisation are seen as simultaneous rather than consecutive.

#### **3.1. Structural Adjustment and the Enabling Environment**

The structural adjustment policies have, in general, led to a wider acceptance of small and intermediate enterprises and focused on the importance of an enabling environment. Still they have for a number of reasons often had the opposite effect:

- o The privatization policy has often focused much more on large scale privatization and foreign investments than on local initiatives and investments in small enterprises based on local resources;
- o The macro economic policies have attempted to improve the competitiveness of the export industry rather than increase the productivity of the usually much larger production of the home market. At the same time, increasing food prices and the reduction in public employment often led to a drastic reduction in the home market, which especially has hit the small enterprises;
- o The structural adjustment policy has especially focused on the short- run macro economic policy, while those changes in the public policy on micro and local levels which are necessary to create an enabling environment for small enterprises, either have not been carried out or at best have been much delayed. At the same time, the short-run macro economic policy has rarely taken account of the large instability in the economies of the developing countries, but implicitly assumed an unrealistically stable development trend.

The industrial structure is the result of a long run interaction between enterprises, labour market, social structure and the public sector. This interaction is governed by more or less hierarchical networks at least as much as by market relations. To change this interaction takes time. The public sector plays an important role in this process, not only through the macro economic policy but also through the development, administration and coordination of the sector policies (infrastructure, agricultural support, financing, technology, education etc.) in the local areas in a way which support and interact with the local private investments, employment and the organization of the labour market.

The liberalization era witnessed a significant withdrawal of a “welfare state”, which had neither the necessary resources, nor the inclination to involve in key developmental areas. Naturally, the situation demanded an enhanced demand for services from new actors, as also new ideas which can address the emerging challenges. Two of the key issues during the recent past have been: 1) a growth paradigm which excludes large sections of the population from the productive system; and 2) a significant social and economic isolation of already marginalized groups, such as women and schedule castes and tribes.

Given such constraints, the state wanted the active support of the non state actors in order to:

- a) bring in innovative ideas of development; b) to design and execute innovative programs; c) to introduce a new communication system by which the government can effectively communicate with the people at the grass root level; and d) to ensure that the benefits of growth get translated to the bottom layers of the pyramid.

#### 4.0. Indian Strategies: Historical Setting

The history of manufacturing entrepreneurship in India dates back to 1850. However, some kind of entrepreneurship was observable among the artisans in the cities like Benaras, Allahabad, Gaya, Puri and Mirzapur which were established on the banks of rivers, because mostly rivers provided the transportation facilities. Indian artisanship was well recognized all over the world (eg. Bombay, Poona and Hyderabad), but could not develop properly due to lack of initiative from the colonial power structure and the infrastructural problems (Gadgil, 1959: 3-61). While, entrepreneurship was in abundance India, fetters for its growth were significant. Large number of traders and money lenders migrated to various countries- Burma, Malaya , Singapore and Kenya- for the purpose of trading, and had extensive trade relations with China and Hong Kong (Baldwin, 1959: 257 and Medhora, 1965: 565).

Lack of capital created various problems for artisans who depended upon mercantile class for capital. Since the money lenders earned a lot of money as interest by exploiting the artisans, they did not bother to take risk by entering manufacturing or reorganizing and mobilizing Indian artisanship for industrial growth. Lack of political unity, network of custom barriers, existence of innumerable systems of currency, regional markets plagued by arbitrary political authority in the 17<sup>th</sup> and 18<sup>th</sup> centuries, taxation policies and low prestige of businessmen were other constraints suggested. (Tripathi, 1971: M 59-61).

The East India Company and the Agency Houses made some contribution in stimulating local entrepreneurship and creating some opportunities for its growth. While the British entrepreneurs presumably were not interested in cotton textile and steel, the Indian entrepreneurs could make great headway in these areas.

The second wave of entrepreneurial growth began during and after the First World War. During these decades, cement and sugar industries experienced fast progress. Secondly, the relative importance of Parsis declined and Gujarati and Marwari Vaisyas emerged. Between Gujaratis and Marwaris, while the former gave lead in initiating manufacturing, the latter gave lead in spreading it almost all over India, because they had wide networks (Sharma, K.N. 1967: 5-7). Moreover, a group of self-made entrepreneurs began to emerge, who, by ploughing back their high profits into their small workshops, built up larger industrial establishment (Medhora, 1965: 558-80 and Sharma, A.K., 1965: 355-68). The preconditions for innovating entrepreneurship had come into existence, but the managerial talent still lacked (Kenneth Berril ,cited in *ibid*: 362).

An analysis of the historical experience relating to the role of the non state actors in development, in a formal manner can be traced back to the planning era in the country. The First Five Year Plan, which came out with the concept of a mixed economy, outlined specific spaces for both the public and private sectors. India’s

Community Development Program, established in 1952 with the full support of the national administration, had the objective of assisting each of India's 550,000 villages in developing effective local government, cooperatives, and schools. Through these institutions, activities were carried out in the areas of agricultural production, crafts and industries, health services, education for children and adults, recreation, housing, and programs for women and youth. Multipurpose village-level workers were backed up by specialists at the Block headquarters, and the Panchayati Raj political-administrative unit was democratized to give people the opportunity to voice their needs to government representatives. The Intensive Agricultural District Program, established in 1960 within the framework of the Community Development Program to increase agricultural productivity, demonstrated the potential of the district as a focus for integration of communication in support of rural development. Although limited in scope, successful efforts were made to integrate programs and communication in agriculture, health, and population. However, social planners have not adequately taken into consideration the stratification system within Indian villages and have assumed a nonexistent commonality of interests among the different strata. As a result, the upper strata had been the main beneficiary of the Community Development Program and the layer most motivated to participate. This flows from the differential access of economic and social resources at the village level. It is concluded that the role of the stratification system should be considered in any analysis of failure of the democratic mobilization for community development.

A specific space for the third sector was envisioned through the Community Development Programme. The role perceived for the third sector, was supportive to the governmental initiatives in welfare programs. However, after a decade of such supportive role, played by women's groups, alternatively called *Mahila Samajams*, rural cultural organizations such as libraries, recreation clubs etc., it was found that, the tangible impact they could make in the rural economy were limited.

Realizing the magnitude of the adverse consequences of such an unbalanced industrial growth, government of India tried to devise a scheme for the growth of a balanced and mixed economy. Three important measures were taken by the government: (i) to encourage a proper distribution of economic power between public and private sectors, (ii) to increase the tempo of industrialization by spreading entrepreneurship from the existing industrial centres to other cities, towns and villages, and (iii) to spread entrepreneurship from a few dominant entrepreneurs to a large number of industrially potential people of varied social strata (Malenbaum, 1962, cited in Hoselitz, 1968: 119).

To meet these objectives, the government laid emphasis on the growth of small scale units in cities, small towns, and villages. Under the Five Year Plans, particularly in the Third Five Year Plan, the government started providing capital, technical know-how, markets and land at industrially potential places to the capable and interested people of varied social strata to occupy the positions of small scale entrepreneurs. Networks of promotional institutions also were set up.

## **5.0. Some Key Structural Features**

The key structural features of the above development process should be discussed against the following aspects:

### **5.1. Early Days of Development Planning**

India has an overall development framework, with the lead role of economic planning. The role of the non governmental actors has been perceived as supportive to the governmental initiatives under planning. Until mid 1960s, the NGO role was considered as exclusively supportive, the key actor being the government itself. But with the so-called "crisis of planning" of the 1960s, an element of voluntarism began to be promoted by the government through public agencies. However, the degree of autonomy available to these agencies was much limited.

#### **5.1.1. Focus on Credit**

State Aid to Industries Act: In almost all the states, there was a statutory provision which enables small loans to be provided to entrepreneurs within the state, but in most cases are cumbersome and time-consuming. Loans below Rs. 5,000/- are often, given on personal surety (which when it comes to the crunch, is rarely honoured) while above this figure, loans are advanced upto 75 per cent of the security offered. The ceiling

for such loans in most states is Rs. 1 lakh for individual borrowers and Rs. 2 lakhs for industrial cooperatives. The amortization period is normally 10 years and the interest is low ranging, from 2 per cent to 7 per cent. Increasingly, these loans are either disbursed or collected (or both) through the state financial corporations while, in others, the state directors of industries continue to operate the scheme. But with the increasing requirements of the small sector and the budgetary constraints of the state governments, it has been felt that this channel of loaning which may have had some utility when normal banking had not yet developed, has lost much of its validity today.

An interesting experiment was conducted in Orissa in the early 1960s to set up a number of *panchayat* industries in the rural areas in which the state government advanced 90 per cent of the share capital and a local entrepreneur put up the rest; 42 companies were set up in this manner but the programme did not make much headway due to the limited state of the entrepreneur, who was asked to manage the unit. Subsequently, the share capital was converted to long-term loan and entrepreneurs were persuaded to take a majority share holding.

### **5.2. Perceived Roles in Enterprise and Livelihood Promotion**

Having defined roles for the public sector and the private corporate sector, and entrepreneurship having not formally taken shape in the development agenda of the country, voluntarism in the pre-1970s was promoted by the state mainly two forms: a) co operatives (meant essentially for processing and marketing); and b) skill development programmes.

In the first half of 1960s which was characterized by a constellation of forces which constrained the economy, such as the Indo-Chinese War, the food crisis, and the overall a crisis of planning in the country, prompted a rethinking on the role of the third sector. Hence emerged the search for new actors and intervention strategies. Among the new actors were, forms like cooperatives, as also special purpose vehicles, such as Small Farmers Development Agency, Marginal Farmers Development Agency, entrepreneurship promotion institutions, public technical consultancy organizations etc. The period also witnessed the launching of several public sector corporations, which were conceived as another window of the government bereft of rigidities of a governmental system.

The programme interventions during the period included outreach of rural development programs, skill development programs, entrepreneurship development programs, women's empowerment programmes, etc. Most of these programmes were conceived at the national level, but to be implemented at the state level. Considering the rigidities of these programmes, it was felt necessary to have some outreach mechanism, which was expected to be provided by the government.

### **5.3. Globalisation- Liberalization Era: Post- 1970s**

Researchers of small or informal enterprises increasingly seem to agree that the individual small enterprise cannot be understood in isolation from the specific environment in which it is operated. There is much less agreement on the nature of that interaction between the enterprise and its environment. At one end of the spectrum the pure neoclassical concept of an enterprise conceives of both small and large enterprises as independent economic units producing for an impersonal market where all enterprises compete on equal terms, and where price and quantity are the only interesting variables. At the other end of the spectrum, the pure petty commodity production concept sees the small/informal activities as marginalized, operating on markets with cut-throat competition and few possibilities ever to advance in an economy completely dominated and controlled by large national and multinational hierarchical corporations.

In between these two extremes, the pure market and the pure hierarchy, a number of alternative conceptions of the relationship between the enterprise and its environment have been proposed during the 1980s. These concepts see the interactions between the enterprises and their environment as forming networks based, at least to some extent, on personal relations, trust and reciprocity, although pure market or pure power relations may be involved as well. Such networks may take many different forms, and depending on what they emphasise, different authors evaluate and see them very differently, for example:

- o As primarily hierarchical networks, generated and controlled from the top by large enterprises which, in order to reduce costs and/or exploit cheap labour and illegal practices, externalize (Williamson,

- 1981; Johnson and Matson, 1986) or informalise (Castells and Portes, 1989) functions which otherwise would have been performed within the large organization itself;
- o As more equitable production networks of small and medium-sized enterprises who through collaboration achieve flexible specialization and larger collective efficiency than they would have individually (Schmitz, 1990; Rasmussen, Schmitz and van Dijk, 1992);
  - o As formal organisation or cooperatives of small entrepreneurs fighting for political recognition and benefits for the small enterprises (Burrows, 1992; More and Hamalai 1993),
  - o As unions of informal labour fighting for higher wages, better work conditions and larger job security, but in many third world countries also promoting self-employment for unemployed (Sanyal, 1991);
  - o As equitable social support networks (often family, class or neighborhood based) through which resources in times of crises may be generated, but which also on the other hand may lead to redistribution rather than reinvestment of profits (Hyden, 1983, 1985);
  - o As hierarchical patron-client relations which may guarantee survival of the client in times of crises, but also exploit him heavily in good year (Smith, 1976; Pedersen, 1992).

The term, ‘ networks of enterprises’ are not often used to denominate any specific form of inter-enterprise organization. Rather we see the network as a tool to investigate the dynamic interaction between the enterprises and the environment, in whatever forms it may take. Networks of or around small enterprises often have an important local element and may, under ideal circumstances result in the creation of agglomerations of small and medium sized, interacting enterprises engaged in the same differentiated production complex producing primarily for a non-local market. Such areas are often called “Marshallian Districts”, after the English economist Marshall who wrote about such districts in the beginning of the 20<sup>th</sup> century (eg. Pyke, Becattini and Sengenberger, 1990; Pyke and Sengenberger, 1992). Much of the literature on Marshallian districts stresses the local and **equitable** nature of the enterprise networks found there. However, there are reasons to emphasise that such local networks often compete with large enterprise and usually are linked up to larger national or international networks which are **hierarchical** rather than equitable. The modern Marshallian district will typically be subcontracting intermediate goods to large national or international industries or producing consumer goods for large export/import agents, wholesalers or retail chains. And it will often depend on resources or components provided by other large companies.

The increasing focus on networks and flexible specialization since the 1970s is often seen as a result of the introduction of a new and more flexible, technology- based on micro-electronics. However, flexible technology can also be utilized by large enterprises, and there is little reason to believe that flexible specialization, in itself, should lead to the development of smaller enterprises. In fact, it might rather lead to larger enterprises because it makes it possible for large enterprises to venture into niches previously unprofitable for the mass producer. The new flexible technology has probably enhanced flexible specialization and the development of Marshallian districts, not because of its flexibility, but because it has allowed production of standardized components and intermediate goods in **smaller batches** and with higher precision than before and, therefore, made them more tradeable. The flexibility which leads to collective efficiency is not primarily embedded in the technology, but rather in the **trading system**. Therefore, in the above framework, there is a significant role for the system of traders, wholesalers, agents and retailers and other middlemen as an integrated part of the production system.

Flexible specialization, enterprise networks and Marshallian districts of the type described in Europe and some of the NIC-countries are seldom found in many developing countries. Flexibility and networking in the production system is a response to instability and uncertainty in the markets (Salais and Storper, 1992). In the developed countries this instability is, to a large extent ,created by rapid innovation, product specialization and market segmentation in the production system itself. In the developing countries the instability is caused by extreme income differences, unstable and seasonal incomes, lack of infrastructure and unstable commodity supplies, rather than by innovation and product specialization. As in the developed countries ,the response of the enterprises is networking and flexible specialization, but networking and specialization that is different from that the industrialized world. In order to withstand the large instability, small enterprises may depend

only on family networks and hierarchical patron-client relationships, which may be highly exploitative, but give some guarantee of survival. And specialization and market segmentation are more often based on delivery services (transport, credit and commodity availability) than on product specialization.

In India, the cluster model was initiated in 1996 with the active involvement of UNIDO . According to UNIDO survey of Indian SSI clusters, undertaken in 1996, there were 350 SSI clusters and approximately 2000 rural and artisan- based clusters in India. It is estimated that these clusters contributed 60% of the manufactured exports from the country in that year. Among the larger clusters, it is worth mentioning those of:

- Panipat accounting for 75% of the total blankets produced in the country;
- Tirupur, which is responsible for 80% of the country's cotton hosiery exports;
- Agra with 800 registered and 6,000 unregistered small scale units making approximately 150,000 pairs of shoes per day with a daily production value of 1.3 million dollars and exports worth US \$ 60 million per year;
- Ludhiana, a city that is well known as the Manchester of India, which alone contributes 95% of the country's woolen knitwear, 85% of the country's sewing machines and 60% of the nation's bicycle and bicycle parts; and
- Bangalore software cluster.

#### **6.0. Enterprises, Labour Markets and Social Networks**

For the large capital- intensive enterprise, stability of its labour force, especially but not only in the higher echelons, is important to secure a stable production and high capacity utilization. The needed qualifications will often be highly specialized and enterprise specific, and in order to reduce the costs of training and labour turnover, the enterprise will often try to train people so narrowly that their qualifications cannot be utilized in other enterprises. On the other hand, it will also be willing to pay above average wages in order to keep its trained personnel. Thus, the enterprise will attempt to create an international labour market where the enterprise, and at least its core personnel have a common interest in reducing the labour turnover, but also a situation where the labour force has a few attractive alternative job opportunities outside the enterprise and, therefore, relatively little bargaining power in case of conflict. Labour unions will often be organized on an enterprise basis.

Enterprises choosing the flexible specialization strategy will require a core labour force with broader and more general qualification, which will be able to switch from one production to another. However, with such a qualified labour force the enterprise will be in a poor bargaining position, because it will be relatively easy for the qualified workers to move from one enterprise to another. Therefore, the enterprises will also be unwilling to finance the training, which instead has to be paid by the trainees themselves or by the government. On the other hand, the high mobility of labour is important for a rapid innovation diffusion among the enterprises. Unions will often have a relatively strong bargaining power. They will emphasize the importance of training, but also try to control the access of new trainees to the sector in order to keep their bargaining power. The broad qualifications and in many cases limited capital requirements, also mean that it will often be relatively easy for workers to start their own enterprise.

Enterprises choosing a sweatshop strategy will typically offer relatively poor working condition, low wages and unstable employment. They employ unskilled or low-skilled workers who, even where unions exist, have little bargaining power because in areas with surplus labour they can be easily replaced. However, even in the sweatshop on-the-job training is often important, and although the enterprise hires and fires workers according to the seasonal and cyclical swings, the same workers may often be attached to the enterprise for long periods. Often patron-client like relations will develop between workers and owners. In rural areas both may have a mutual interest in a permanent seasonal employment if it complements the agricultural work seasons.

Finally, the very small semi-subsistence enterprise will typically offer employment only to the owner and possibly to some family members. It will often be a part-time activity supplementing agricultural work or some type of wage work. The income, often small, earned at such activities varies widely depending on the

activity, the owner's qualifications and investment, and the priority he or she is able and willing to give to the enterprise. Thus the burden of market instability is transmitted, firstly from large scale production down the enterprise hierarchy, and secondly, from the enterprises to their workers and employees, who attempt to absorb the instability by using partly their social and family networks and partly the state, the organizations (eg unions, unemployment insurance, NGOs) or patron-client relations.

Social and family networks play an important role in all of the four labour markets, but probably more so in the lower end of the enterprise hierarchy where the employment instability is largest. Social networks are not only used by the households as security networks, but are also often used by the enterprises for the recruitment of new workers. The form and role of the social network depends on the specific social relations (family, clan and tribal organization) and may vary considerably between different areas and population groups.

Government and inter firm organizations will tend to play a more active role in the flexible specialization environment than in the large scale and sweatshop environment. Government and inter firm organizations will be important especially in vocational training, development and transfer of new technology, and organization for collective efficiency.

## **7.0. The Channelising Role of Non State Actors**

### **7.1. Cooperatives**

India has significantly diversified its cooperative structure over time. In fact, many of the cooperative societies promoted for artisanal activities have died or become dormant, and many of them, both credit and non-credit, are sustained purely by subsidies or subsidized inputs provided through their apex Federations. Indeed, access to subsidized inputs, services or other privileges is often the main motive for members to join cooperatives. There are, in fact, numerous false cooperatives which have been established by master-weavers, for example, to gain access to the special benefits granted to weaver cooperatives. As a result, the aggregate figures on the number of cooperatives and of their members greatly exaggerate the importance of cooperatives in the rural non-farm sector.

Cooperatives are more appropriate to some sub-sectors than others. For example, many producer-workers in traditional non-farm activities, such as pottery, may be widely dispersed, with one or a few of them residing in each village. Under such conditions it is difficult to promote a cooperative which could be monitored and controlled effectively by its members. Moreover, in the case of some enterprises, like pottery, much of the raw material (clay) is available locally, and the product is fragile, and therefore, the extent of the market is limited. Thus, two of the primary functions of many cooperatives, i.e., supplying raw materials and marketing products, are not really applicable in this sub-sector. Cooperatives are suitable in some other sub-sectors. For example, both sugarcane and milk are perishable and bulky and so need to be processed swiftly and locally. At the same time, processing facilities require large investments which need a guaranteed and regular supply of raw materials. Cooperatives of the primary producers which also own the processing facilities are a good solution for these problems, and the sugar cooperatives in Maharashtra and the dairy co-operatives in Gujarat have been particularly successful. Maharashtra produces about a third of India's output of industrial white sugar, and almost all comes from the cooperative sector. The more than 100 cooperative sugar factories in the State have more than half a million farmers as members (Baviskar and Attwood, 1995). The development of dairy processing, and more recently of oilseed processing, has also relied extensively on cooperatives. Thus, there are many examples of successful cooperatives which have achieved salience, providing many services and benefits to their members, both economic and social, and even transforming their local economies or their sub-sectors (Shah, 1995).

Most of these examples, however, are found in western India, and regional social and political factors have proved critical in determining the success or failure of many cooperatives. Baviskar and Attwood (1995) argue that the political economy in western India is far more favourable for cooperatives than in the rest of the country; their argument is based on a review of different class and caste structures in various regions and, the different colonial legacies. Beyond the regional or even local socio-political context, there are two other important factors for the success of these organizations. The first is the role of the federal system, of which the primary cooperatives are members, in making demands on the primary cooperatives and providing

them with the support, such as resources, markets, technologies and expertise, to meet these demands. At its best, the relationship between the primary cooperatives and their federal system is one of mutuality, equality and partnership. The federal system, however, can all too easily play a detrimental role because it is usually in a monopoly relationship vis-a-vis the primary cooperatives (Shah, 1995: 47).

The livelihood promotion effort in an institutionalised form of producer's cooperative has the objective for farmers to free themselves from intermediaries, gain direct access to markets and thereby ensure maximum returns for their efforts. Although there is an economic logic behind cooperatives, they are also influenced by an ethical logic of equality.

While AMUL is an example of how a cooperative has impacted an entire sector, the Warnanagar sugar cooperative, set up in 1956 in the Kolhapur district of Maharashtra, kick-started the creation of various other community based organisations such as a poultry farm, a milk-producers society, a cooperative bank, an arts, science and commerce junior college including a children's orchestra, and a medical trust. The total turnover of these societies is over Rs 600 crore. There are so many cooperatives in Warana, that the Government of India in fact calls them the "Warna Co-operative Complex".

The Self-Employed Women's Association (SEWA), established in 1972 in Gujarat under the leadership of Ela Bhatt, has been significant in promoting employment, finance and social security through the formation of cooperatives. SEWA, which has over 700,000 members, has three main methods of promoting livelihoods - a trade union which advocates for self-employed women's labour rights, a cooperative bank which provides financial services, and a set of about 100 occupation-based cooperatives such as of rag-pickers, tailors, embroiders, and those in some service sectors.

## 7.2. NGOs as Catalysts

Because many rural non-farm producers, especially the smaller and poorer ones, lack any representation or effective organization, non-governmental organizations (NGOs) have often performed the role of promoting their interests. NGOs obviously have some relative advantages in this area. Almost all these NGOs believe strongly in organizing the poor, strengthening existing organizations, or more often promoting new cooperatives over other organizational forms. They are of three main types:

First, are those in the Gandhian tradition, such as Gandhigram and the Association of Sarva Seva Farms (ASSEFA) in Tamil Nadu, the Saghan Kshetriya Vikas Samiti in Uttar Pradesh and the Tamulpur Anchalik Gramdan Sangh in Assam. These Gandhian NGOs tend to focus on traditional artisan crafts and are often highly dependent on the Khadi and Village Industries Commission and Boards for their marketing and finance.

Second, activist NGOs have concentrated on specific issues within the Rural Non Farm Sector, like child labour, for example, protesting against such labour in the match industry in Tamil Nadu and in the carpet industry in Uttar Pradesh. Many have also played a vital role as outsiders in catalysing poor producers to organize, although this may involve years of struggle requiring strong leadership from within the groups themselves. The various rural producers' cooperatives promoted by SEWA around Ahmedabad are a well-known example of this. Other models like Annapoorna Mahila Mandal in Mumbai also deserve mention.

Other NGOs have been founded more recently, many of them by urban, professionally educated people who wanted to work for rural development. Examples of these are, PRADAN working with carcass flayers and leather tanners, handloom weavers and fishermen in Uttar Pradesh; the Social Work and Research Centre in Tilonia, near Ajmer, in Rajasthan, working with weavers, leather workers and handicraft artisans; the URMUL Trust in Bikaner, Rajasthan working with wool weavers and wood carvers; and the Vivekananda Kendra in the Karbi Anglong district, Assam, working with weavers and cane and bamboo workers. These NGOs have sought to create or sustain employment among poor producers, and in some cases have done useful work in technology intermediation and the establishment of market-ing linkages. Because these NGOs usually use grant funds, however, a lot of the projects tend to neglect commercial considerations.

NGO programmes are often small, covering only a few producers in a handful of villages. They often seek to provide basic relief or income rather than tackling the sub-sectors in which their beneficiaries work in any strategic manner. So their reach and impact are limited. In effect, they deal with only a tiny proportion of the poor producers in the non-farm sector. Above all, they cannot claim truly to represent such producers. While

they often perform an important role in mobilizing poor producers or enhancing their livelihoods, are rarely accountable directly to those they assist, and are often driven by agendas that the NGO leaders in particular have developed rather than the producers themselves. Nevertheless, granted that most poor producers are not organized, NGOs are often the only agencies that can provide the necessary external push for such producers to come together for collective action.

This is the same logic that applies to the self-help savings and credit groups in overcoming the screening, incentive and enforcement problems. Likewise, a common characteristic of many of the existing associations and cooperatives in the rural non farm sector is that they are found in a particular locality, such as an industrial cluster or a group of villages. Even if not confined to one area, many of the more successful groups are at least specific to one sub-sector, so that members share common interests, problems and concerns.

In contrast, many non-farm producers in rural India, especially traditional artisans, are scattered over wide areas, and communication among them is limited. The problems may to some extent be overcome through caste associations, where a common caste identity allows a certain degree of trust among members. However, although most such caste associations perform social functions, rarely do they provide economic benefits or services to support members, which are costly to organize and difficult to monitor. In particular, for individual poor producers the opportunity costs of participating in a group, in terms of loss of time, work and earnings, may be very high as a proportion of their total income.

It is not only the size and geographical spread that determines the success or failure of collective action. In some cases the group benefits may be high, and the costs of cooperating comparatively low. It is possible for an interest-group organization to emerge voluntarily and be sustained largely voluntarily - that is, without selective benefits or costs - if the net collective benefit is high enough. This runs counter to the spirit of Olson's argument (Wade, 1990: 207).

Some groups are formed by strong leaders, who may derive status or power through playing such a role. Here, ironically, the benefits one powerful individual derives from the group may exceed the transaction costs of forming and sustaining the group. This is why, for example, so many of the industry associations we came across, are dominated by a few leaders, even though other members of the group may also benefit. In some cases, however, powerful individuals may use a group to gain advantage at the expense of other members. The dummy cooperatives of traditional workers formed by contractors in order to acquire licenses for lifting carcasses in central Uttar Pradesh or to harvest salt in the Little Rann of Kutch in Gujarat are good examples.

Genuine groups of artisans or tiny enterprises, where they exist, have often been catalysed by outsiders, typically by NGOs, thereby reducing the transaction costs of cooperation. Examples are the organization of weavers and leather workers in the Jawaja block of Ajmer district in Rajasthan (Matthai, 1982) or of the carcass flayers in Uttar Pradesh, which PRADAN is mobilizing into cooperatives controlled by the member flayers (PRADAN, 1992).

The benefits derived from collective action may be substantial, and strong leaders or outsiders may reduce the transaction costs to other members of forming a group. It is more likely that small groups with special economic interests will be successful in providing collective benefits for their members. It is less likely that large dispersed groups will be able to do so. While exceptions can always be found, this argument is supported by our broad conclusion that strong associations are more common among more modern and dynamic enterprises, often confined to one sub-sector, which form a cluster. They are less common among poor and dispersed producer-workers, such as many traditional artisans.

Beyond economic benefits, there is growing recognition of the importance of forms of trust for even basic economic or market transactions to function smoothly (Fur-long, 1996). In terms of collective action, behavioural norms of trust, fairness and reciprocity can reduce the costs of cooperation, not least by reducing the need for coercion to bind members to a group, and enhance the benefits derived by the group (Oakerson, 1988; Feeny, 1988). Such behavioural norms may, of course, need to be developed within a group; strong groups tend, therefore, to grow stronger (Shah, 1995). The lack of trust, fairness and reciprocity, on the other hand, can prevent producers from organizing. Power and ideology play a critical role in this. In this regard: Three broad patterns can be observed:

In the first category, fall sub-sectors such as handlooms which are organized, due to years of work among weavers by cooperative activists, NGOs and the government. Because of their numbers and organization, they have given rise to 'hand-loom politics', with politicians, bureaucrats and the media giving considerable attention to them. Their rivals, the power looms and mills are also organized into lobbies, and the different groups compete with each other to influence policies, for example, on lanta cloth and excise levied on hank-yarn, which bring gains to one group and losses to the others.

In the second category are sub-sectors such as handicrafts, including carpets, gems and jewellery, and leather. In these sub-sectors representative bodies are essentially in the hands of large producer-entrepreneurs and traders, who account for a major part of the turnover, especially in exports. They form a nexus with the politicians and bureaucrats, and the vast number of artisans and workers are not involved in any of the decision-making forums, such as the export promotion councils. Even schemes for the welfare of workers are designed by officials in consultation with the big entrepreneurs. However, the artisans and workers are not unaware of their exclusion and have in small pockets come together to fight for a better share of the value added. An example of this was in the carpet sub-sector around Jaipur, where the producer-workers went on strike until their wages were increased.

A third category are, sub-sectors such as bidi-making, stone quarry-ing, and gathering and processing forest produce. These sub-sectors employ a large number of people, but are essentially controlled by a few big operators, such as the bidi kings or the mining and forest contractors. In many cases the workers do not even see that they should have a role to play in decisions regarding, for example, their wages or occupational safety. The third dimension of power is operating here, with the workers being resigned to their fate and the contractors and regulatory officials playing the role of mai-baap and exploiters simultaneously (Mahajan and Fisher, 1997).

The approach taken by a wide cross-section of NGO groups, irrespective of their ideological standpoint, has two essential components: awareness-building and organizing. Depending on their particular ideology, some groups may call this process by such names as conscientization and mass struggle. The essential first step, however, is to work at the level of the third dimension of power by making the producers or workers aware that their situation is the result of very real forces and not fate or sins in their past lives, that forces of domination and exploitation are at work, and that they are not alone in their predicament. Thus the attempt is to undo the psychological hegemony established by the powerful.

Such a process, if successful, then leads to action at the second dimension of power: producers and workers demand that they be heard and the issues of concern to them be brought into the political agenda. In the final stage the first dimension of power may also be addressed, when the rural producers and workers participate in political processes, as has happened to some extent in the hand loom sub-sector (even though many of the benefits from handloom policies may in reality have been captured by master-weavers, traders, bureaucrats and others).

## **8.0. Streams of Public Policy**

In the 1970s, two major streams offering significant policy space for the voluntary sector, emerged: a) rural development programmes; and b) entrepreneurship movement.

### **8.1. Rural Development Programmes**

The focus on rural development, automatically led to a thrust on enterprise and livelihood development. While the NGOs were close to the poor people and craftsmen, their involvement in rural development programme became more pronounced.

Official rural development Programmes have two major thrusts: (a) capacity building; and b) collective efficiency oriented initiatives. Capacity Building programmes are meant to impart or enhance individual skills, which are expected to lead to self employment. The erstwhile TRYSEM, initiated in 1979, was such a programme. A centrally sponsored scheme, launched as facilitating component of IRDP, it was meant to provide technical skills to rural youth to enable them to take up self employment in the broad fields of agriculture and allied activities, industries, services and business activities.

Collective efficiency- oriented programmes are envisaged as high impact and low- cost programmes designed on principles of collective efficiency. SGSY is such a programme. Swarnajayanti Gram Swarajgar Yojana (SGSY), launched in 1999 with the objective of bringing every assisted family above the poverty line within three years, through the provision of micro enterprises, aimed at establishing a large number of micro-enterprises in the rural areas, building upon the potential of the rural poor. It is rooted in the belief that the rural poor in India have competencies and, given the right support, they can be successful producers of valuable goods/services. SGSY is conceived as a holistic programme of micro-enterprises, covering all aspects of self-employment, viz., organisation of the rural poor into self-help groups (SHGs) and their capacity building, planning of activity clusters, infrastructure build -up, technology, credit and marketing. Of late, a more integrated approach to collective efficiency has been introduced under the newly floated National Rural Livelihood Mission.

The Khadi and Village Industries Commission (KVIC), as also the Ministry of Textiles have programmes which are implemented in the rural context. The Prime Minister's Employment Generation Programme (PMEGP) is a new version of the various initiatives on these lines.

## **8.2. Entrepreneurship Movement in India**

A proactive movement of entrepreneurship development involving NGOs, dates back to the 1970s. The Gujarat model of entrepreneurship development support, initiated by the State Government, was scaled up with the setting up of the Entrepreneurship Development Institute of India. The Institute initiated modeling and implementation of several start-up programmes, including those specially meant for the rural sector. The movement became more popular – with involvement of donors and DFIs.

The entrepreneurship development programme with well designed inputs for motivating, informing and skilling entrepreneurial individuals was pioneered in 1970. Something started as an experiment soon spread to other parts of the country (and now to many developing countries) and became a deeply entrenched strategy for new enterprise creation over the years. Difficult models and methodologies have been evolved and tasted by different organizations. Several modifications have been carried out to suit the profile and needs of various groups of trainees. For example, potential micro enterprises in the rural sectors by the poor, whose ventures have only limited investment and low levels of technology, must be addressed differently from those of enterprising women whose talents and creativity have been suppressed by age-old socio-cultural norms and practices. Both need appropriate approaches so that they become capable of manifesting their entrepreneurial competence.

Despite efforts made by a host of institutions, only less than 20% of the new entrepreneurs have access to training every year. This means that a large mass of potential entrepreneurs are still outside the reach of training interventions.

### **8.2.1. Entrepreneurship Development among Women**

The most crucial subset of entrepreneurship development initiative was, women entrepreneurship. While mainstreaming of gender issues has taken place in India's development planning since mid 1970s, the entrepreneurial role of women remained largely neglected. Some attempts towards this direction started in early 1990s. Women's entrepreneurial role was perceived and rationalized as crucial in the following four areas: (1). Enterprise Creation; (2) enterprise management; (3) Entrepreneurship training; and (4) Public Policy and issues.

## **8.3. Initiatives in the Liberalization Era.**

Initiatives in the more recent era of globalization and liberalization, have witnessed significant changes in the role of NSAs and the way in which they have been engaged. A culture of focus on **scale**, rather than **individual capabilities** at the grass root level, has emerged. This can be discussed in terms of three major developments, in the practice of development as follows:

### **8.3.1 Self Help Group Movement**

The liberalization era has been characterized by a reduced role of the government as a development actor. The voluntary sector has been viewed as a new actor. However, the sector's rather unorganized character

needs a streamlining. The research for such a streamlining resulted in the discovery of a more broad-based platform of voluntary action: the self-help groups. This has significantly enhanced the reach of public policy among the **masses**. Besides, the voluntary sector was also benefited by enhancing their reach at the grass root level.

### 8.3.2 Two-tier System of NGOs

As mentioned above, scale rather than content and individual capabilities, has been increasingly appreciated by governments and donors, in their relationship with the non state actors. This has resulted in the development of a two-tier system of NSAs, where a few apex organizations, interact directly with the government, whereas a larger number of smaller organizations act simply as delivery agents at grass root levels. This trend is visible in the case of non governmental organizations, industry associations, and various other forms of civil society organisations.

The two-tier system offers significant advantages for the donors, especially the international donors, as it reduces several operational hassles and transaction costs. The international donors, accountable to their Parliaments, also have an independent evaluation system, which provides feedback on the money they have doned out. In the case of Ministries and Departments in India, the objectives of engagement of NSAs are quite different. It is meant not only to ensure efficient delivery of government programmes, but also to have a continuous process of local capacity building. Not only that the NSAs should help in such a delivery mechanism, but they should progressively act as a reservoir of ideas and innovation, the benefits of which percolates in the society. Government Departments that are more concerned with the audit system, than these overall benefits, choose to work with those large organisations having a political clout, or even other government agencies themselves, rather than taking any risks whatsoever.

It is in this context that a concept of “CSR in Government” become relevant. The government itself has two key functions: a) provision of public utilities and law and order: and b) developmenatal and promotional activities. Most of the latter category of activities are now being undertaken by the public corporations ( eg: State Financial Corporations, State Industrial Development corporations etc). The first principles of inculcating a CSR culture in the country should be laid down by the latter corporations. A well-articulated **business case** should guide all their expenditure, other than on their core operations. Such an example, set by the government and public agencies, would, inturn lead to a mainstreaming of a CSR culture in the Country.

In a vast country like India, one has to appreciate the fact that, the government cannot easily communicate with a large number of civil society organizations, and therefore the operation of a two-tier system offers some advantages. However, this trend is contrary to the policy thrust of decentralization in the Indian polity and economy. The very spirit of decentralization in the economic sphere is to enhance capabilities at the grass root level, which can happen only through enhanced engagement of smaller NSAs at various levels of governance. This, however, does not happen in practice.

The careful steps in the 1970s and 1980s, however, has undergone a sea change. Scale, rather than content of NSA activity, is increasingly appreciated by government and donors, in their relationship with the voluntary sector. This has progressively led to the creation of two distinct tiers of civil society organizations: a) a few large organizations, which are often urban centered; and b) smaller organizations which actually implement programmes at the grass root level.

### 8.3.3 Cluster Focus

An important development in the arena of planning and programme implementation is the focus on a collective efficiency-based approach. While in the 1970s and 1980s, development interventions had given due regard to both collective and individual efficiency, in the new era, individual efficiency has been traded off against collective efficiency. The impact of this deserve detailed examination.

## 9.0. Conclusion

Our discussion in the above pages indicates that, despite the structural and organizational changes in the economy, the concept of public-private partnership has not yet been properly interpreted in the Indian context. NPVS provides a useful platform for this interpretation. The objectives of the NPVS, however, can be delivered only through a well-thought out action plan.



# 7

## The Context of Public Programmes

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### 1.0. Introduction

The structural aspects of the performance of an organization have only a limited purpose. It depends on a variety of limiting factors, such as, official development assistance policy of countries, political situation of the region in which they operate, and the size of funds involved, changes in the overall development priorities of the country, and major changes in public policy, reflected through the attitude towards the relative roles of public, private, and the non state actors.

The performance of the non state actors in India have undergone significant changes since the 1980s, mainly under the globalization-liberalisation environment. During the pre -1980s, the roles perceived for these actors were rather rigid, offering very little room for innovation. An examination of this change process is crucial from the point of view of an assessment of the present and potential role of this sector in a changing environment.

### 2.0. Private Sector Development : Autonomous and Induced

A wider agenda of private sector development, and a corresponding positive role for the voluntary sector in this process, is relatively new. The active phase of globalization and liberalization in India, which was inaugurated with the economic reform programme of the 1990s, came out with an agenda of private sector development with its significant dimensions in every walk of life. However, even before this period, forms of involvement of the voluntary sector were present, with much less simple forms. An examination of the graduation of the voluntary sector roles, through the decades, should be instructive.

#### 2.1. State-led Model

With the inauguration of the liberalization regime in the early 1990s, state-led models of private sector development emerged in various forms. To begin with, was the so-called " *micro privatisation* " which was kick started in the late 1980s. The beginnings of the liberalization era marked, the progressive withdrawal of the government from various service activities which were otherwise its exclusive domain. For instance, in the communications sector, several of the activities such as, telephone booths, were handed over to the private sector, thereby enhancing the spread and efficiency of public services with the involvement of the private sector. A second form of initiatives was, anti-poverty programmes, being implemented through Poverty Eradication Missions initiated with the active involvement of NGOs. In some states, the Government itself set up such Missions (eg: Kudumbashree in Kerala), which were run largely on NGO methodologies. Another key form of public-private partnership was the Small Industry Cluster Development programme where, active involvement of the private actors, such as, NGOs and industry Associations are envisaged. Most SME development programmes today are on the cluster mode. A third mode of channelising private initiatives was through the State level Nodal Agencies (SNAs) of the Central Ministries. While previously, the centrally sponsored programmes were directly implemented by the State government agencies; the new method facilitated the SNAs to engage the State level or private agencies in the actual implementation of programmes.

#### 2.2. Autonomous Development

In a paradigm of autonomous private sector development, essentially two organizational forms of capital came up: a) self employed individual entrepreneurs; and b) cooperatives. Both these forms were conceived as supportive to a larger scheme of capital formation and private sector development in the country. As it

has been discussed elsewhere, both models were increasingly constrained by self-defeating forces. But, from the point of view of planning, the key question remains: Are the autonomous programmes reasonably successful? Do they really trigger local entrepreneurial capacity to a desirable extent? What are the missing links, if any?

Autonomous programmes are so called, because they are open to anybody, assuming fulfillment of the specific norms, as laid down by the government. They do not envisage any direct role for the nongovernmental actors, though most of these programmes, conceptually, encourage participation/involvement by such actors. What role can the non state actors play in making them more effective? A detailed discussion on the major programmes would throw light upon this unexplored area.

### ***2.3. Induced Private Sector Development***

By induced private sector development, we understand the role played by corporate capital to develop subsidiary models of private sector development. In this category include: a) hardcore CSR model where the corporate sector itself, directly involves in community action; b) corporate action through a large number of smaller organizations; c) corporate action through voluntary sector initiatives: and d) Networking Models.

#### ***2.3.1. Hardcore CSR Model***

A hardcore CSR model, where the corporation itself gets involved in community programs for enterprise development, is rare in the Indian context. This is mainly because, the corporate sector did not consider inter- industry linkages as crucial in its community outreach agenda. This is largely explained by the particular pattern of manufacturing in India, where the organized and unorganized sectors, even while they give and take, do not often enter into formal business relationships. The corporate sector, by and large, do not consider a business case in its relationship with the unorganized sector. To be more precise, the business relationship between the two sectors has largely been mediated by commission agents and traders. However, there are also isolated cases like the ITC Ltd. and the Hindustan Paper Corporation, which is a public sector company.

#### ***2.3.2. Corporate Action through Smaller Organizations***

Corporate action through a large number of smaller organisations is a relatively new phenomenon in the country. Such a system emerged largely in terms of the micro finance movement, which was supported by various corporate sector companies. While most of these companies were not of Indian origin, the potential of triggering enterprise development through micro finance seems to be doubtful.

#### ***2.3.3. Corporate Action through Voluntary Sector Initiatives***

This mode of intervention is relatively new. It implies the engagement of a voluntary organisation by a corporate entity. It has various implications. On the one hand, there are CSR models as initiated by the TATA group, where, some voluntary organization is equipped to take challenging positions, and thereby offering livelihood opportunities. Support to voluntary initiatives range from micro level institutions, to large professional organizations, which offer enterprise development support services (BASIX, SKS and Partners-in-Change).

#### ***2.3.4. Networking Models***

Networking models, in essence, are collective efficiency models meant for overcoming scalar constraints. The scalar constraints of non governmental actors relate to various factors, such as smaller size, locational disadvantages, organizational rigidities, and invisibility.

SMEs, by no means is an area of hardcore research activities around the world. Naturally this imbalance contributes significantly to the invisibility syndrome which they are prone to. The imbalance as we see, is essentially because SMEs as a constituency do not attract policy attention. They gain such attention only in a context of networking.

##### ***2.3.4.1. PAN Model of IDRC***

A good example in this context is the Pan Asia Networking model initiated by International Development Research Centre (IDRC). IDRC is one organization that has properly understood the importance of such

networking in the context of SMEs. The IDRC attempts to bridge a synergy among researchers, small businesses, and international commercial interest.

1. The development sector's commercial activities aim to raise funds to sustain their programs and to generate income for the poor communities they serve. An important commodity offered for sale by the sector is publications. These range from technical monographs and scientific journals to greeting cards and gift-wrap. Linked to publications are videocassette recording of various development subjects and educational programmes, photographs, and CD-ROMs. Another important category of items for sale includes tools and implements as diverse as water hand-pumps, farming tools, and food-processing machines. Products manufactured or grown by villagers, as initiatives of income-generating projects, are often marketed collectively on their behalf by NGOs. Examples of such products include handspun and woven fabric, handicraft, vegetable seeds, furniture, and toys.
2. Development research agencies, civic groups, and non-governmental organizations (NGOs) in Asia play an important role in the social economic development of vast numbers of communities in the region. In some countries their reach and services rival, and sometimes even exceed, that of government agencies. The size of these groups spans the entire gamut: from a handful of volunteers caring for a small village to thousands of full time staff.

Asia's development sector organizations have been active participants and users of the Internet from the early days, deploying it originally to network among themselves, exchange experiences, mobilize around common causes, and advocate on behalf of Asia's disadvantaged groups. This paper describes how they are participating on the Internet by going one step further—with e-commerce.

Internet market analysts have predicated enormous growth in e-commerce. Government and NGOs in the developing countries are watching this phenomenal prospect with much trepidation and anticipation, and they are acutely aware that should they not ride on the crest of the wave, their client communities, the have-nots, will again be left behind as the marginalized victims of globalization.

Pan Asia Networking (PAN), a research programme initiative of the International Development Research Centre (IDRC) of Canada, began monitoring these trends as early as 1997. PAN is a unique programme that aims to promote collaboration in research and development through use of Internet technologies. It has played an active role in developing the basic Internet infrastructure in the developing countries of Bhutan, Bangladesh, Cambodia, Laos, Mongolia, Nepal, Sri Lanka, Vietnam and, more recently, Tibet. With funds from a Singapore government S-ONE grant, PAN has been shaping an developing an e-commerce platform in consultation with the development communities.

The main objective of PAN in establishing the E-Mall is to host an experimental laboratory for developing country partners to test the demand for their research and development products and services. However, sales revenue remains an important consideration for all and is sought for two primary reasons:

- *To sustain the activities of the participating organizations:* This reason is expected to take on added importance over time as the number of grants available from philanthropic sources to support the activities of the development sector declines and organizations find an increasing need to develop other means of raising funds to support their work.
- *To assist communities* served by the organizations participating in the E-Mall to market their produce so that income is generated for members of these communities and an important development objective is realized.

The altruistic objective of the development sector comes from its long tradition of freely sharing information with others so that public awareness of development issues is heightened, and experiences exchanged with the goal of advancing solutions to common problems. Although the for-profit and altruistic intentions of the merchants and participating organizations may seem to conflict at times, the dichotomy may in fact be a very helpful one for promoting traffic, if not business, at the E-Mall. Information provided free at the PAN website should draw visitors to the E-Mall and vice-versa.

The merchants at PAN who function mainly as publishing houses see in the E-Mall an excellent opportunity for generating income from the sale of “subsidiary rights”: all types of income that may be derived from a title after the original paper version was published. The prospects are brightest for merchants who publish journals. The E-Mall presents them with an excellent way to derive income from back issues and issues of journals that are out-of-print, especially as electronic versions of such journals already exist in the form of desktop publishing files and therefore minimum further investment is required to make them available on E-Mall.

Video and film producers will find the VOD advantages similar to those publishers found in the VBS. The advent of low-cost but versatile digital video recorders has now made film production affordable to many more people than in the past. The cost of post-production (when shots and sequences are assembled and a soundtrack synchronized to fit the visual) has also declined dramatically. And because post-production work is now done on personal computers, film producers are able to exercise direct control on the creative process that leads directly to the release of digitized videos. Still missing is the distribution network to efficiently distribute such low-cost productions. VOD may be the answer.

Centralizing part of the E-Mall operation speeds up access for customers (by drawing on the high-speed connections and servers offered by PAN) and results in economies of scale (merchants are not required to individually establish and maintain their own servers and Internet connections). The latter is of major importance to participating merchants since they do not have the financial resources to establish and maintain their own servers for these electronic products.

#### **2.3.4.2. Fair Trade**

Fair Trade is another significant network model involving a large number of primary producers who, in turn, sell their products in the international market. The Fair Trade Forum, based in New Delhi has a membership of 200 organisations involved in the production of various craft products.

#### **2.3.4.3. Other Models**

The Craft Council of India is another networking model which federates Craft Councils in various parts of the country. The International conference on SMEs in Local Economic Development, organized by the Institute of Small Enterprises and Development, held in Cochin on January 2005, initiated the International Network on SMEs in Local Economic Development (INSLED). The objective of INSLED is to provide a networking platform for those who consider local economic development as a key function of SME development.

### **3.0. Selected Programmes: A Brief Review**

A brief review of selected public programmes gives insights into the present state of government-NSA relationship. This may also give indications on the potential opportunities in this area. **Table 7.1** gives an overview of eight programmes in which NSAs are involved in.

**Table 7.1 NSA Participation in Selected Enterprise Promotion Programmes**

<b>Name of Programme/ Scheme</b>	<b>Ministry/ Department</b>	<b>Key Category of NSAs</b>	<b>Role envisaged</b>	<b>Selection criteria</b>
Small Industry Cluster Development Programme	Ministry of MSME	SME Associations	Cluster Development Agent	Selection Committee
PMEGP	KVIC	MSME Associations/ NGOs	Training and Mentoring	District level Committee
AHVV	Ministry of Textiles	NGOs	Training and Mentoring	Selection by the Committee
SJSRY	Ministry of Urban Development	NGOs	Training	Selection Committee
RGUMY	Ministry of MSME	SME Associations/ ED Institutes	Handholding Support	National Screening Committee
RBH	Ministry of Panchayathi Raj	NGOs	Training and handholding	Selection Committee
Rural Livelihood Mission	Ministry of Rural Development	NGOs	Training and Mentoring	SGSY Committee
Entrepreneurship Development Cells	Ministry of Science and Technology	Professional educational institutions	Training	Direct application
Entrepreneurship Development Institute	Ministry of MSME	MSME Associations/ NGOs	Organisation of the institute	National Committee of the ministry
Integrated Handloom Development Scheme	Ministry of Textiles	MSME Associations/ NGOs	Cluster Development Agents	Selection Committee

### **3.1. Prime Minister's Employment Generation Programme (PMEGP)**

Prime Minister's Employment Generation Programme (PMEGP) is the new credit-linked subsidy programme introduced by the Govt of India by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. The major objectives of PMEGP are:

To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.

To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.

To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.

To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

PMEGP is a central sector scheme, administered by the Ministry of MSME and being implemented by the KVIC. At the State level, the Scheme has been implemented through State KVIC Directorates, KVIBs, DICs and banks. The Government subsidy under the Scheme has been routed by KVIC through identified banks for eventual distribution to the beneficiaries / entrepreneurs in their bank accounts. The implementing agencies, viz., KVIC, KVIBs and DICs will associate reputed NGOs/ autonomous institutions/Self Help Groups (SHGs)/NSIC /Udyami Mitras empanelled under *Rajiv Gandhi Udyami Mitra Yojana* (RGUMY), Panchayati Raj institutions and other relevant bodies in the implementation of the Scheme, for identification of beneficiaries, of area specific viable projects, and providing training in entrepreneurship development.

Two rounds of evaluation of the PMRY have been conducted. The first round, conducted in the year 1996-97, pertained to the programme years 1993-94 and 1994-95, covering 48 districts, 3544 bank branches and 15,331 beneficiaries of 21 States/UTs. The second round of evaluation conducted in the year 2000-01 pertained to the programme years 1995-96, 1996-97 and 1997-98. It covered 13 districts, 1303 bank branches and 16397 beneficiaries of 5 States viz. Andhra Pradesh, Assam, Manipur, Punjab and Rajasthan. A sample field study on the performance of banks under PMRY was conducted by RBI during September 1997. The study covered more than 3000 borrowers financed by 294 bank branches spread over 59 districts through out the country.

A sample field study on the performance of banks under PMRY for the year 1997-98 and 1998-99 was conducted by RBI during January- April 2001. The study covered around 2500 borrowers financed by 202 bank branches spread over 66 districts through out the country.

Though the PMRY guidelines clearly specify the role of NSAs in the design, implementation and monitoring of the PMRY, this has not been taken seriously in any stage of implementation of the programme. The various evaluations carried out so far, have not looked into this aspect seriously.

The level of involvement by non state actors so far is a subject which need to be examined.

### **3.2. Rajiv Gandhi Udyami Mitra Yojana (RGUMY)**

Entrepreneurship development and training is one of the key elements for development and promotion of MSMEs, particularly, the first-generation entrepreneurs. Entrepreneurship Development Programmes (EDPs) of various durations are being organized on regular basis by a number of organizations e.g. national and state level Entrepreneurship Development Institutes (EDIs), Micro, Small and Medium Enterprises Development Institutes (MSMEDIs) national and state level Industrial Development Corporations, banks and other training institutions/agencies in private and public sector etc., to create new entrepreneurs by cultivating their latent qualities of entrepreneurship and enlightening them on various aspects necessary for setting up micro and small enterprises. Besides, skill development programmes (SDPs) and entrepreneurship-cum-skill development programmes (ESDPs) are also being organized by various public as well as private training institutions.

However, it has been observed that new entrepreneurs generally face difficulties in availing full benefits under available schemes of the Governments / financial institutions, completing and complying with various formalities and legal requirements under various laws/regulations, in selection of appropriate technology, tie-up with buyers and sellers etc. In order to bridge the gap between the aspirations of the potential entrepreneurs and the ground realities, there is a need to support and nurture the potential first generation entrepreneurs by giving them handholding support during the initial stages of setting up and managing their enterprises.

The objective of RGUMY is to provide handholding support and assistance to the potential first generation entrepreneurs, who have already successfully completed EDP/SDP/ESDP or vocational training from ITIs, through the selected lead agencies i.e. '*Udyami Mitras*', in the establishment and management of the new enterprise, in dealing with various procedural and legal hurdles and in completion of various formalities required for setting up and running of the enterprise.

The selected lead agencies i.e. *Udyami Mitras* would render such services as networking, coordinating and follow up with various Government departments/ agencies/ organizations and regulatory agencies on the one hand and with support agencies like banks/financial institutions, DICs, technology providers, infrastructure providers on the other hand, to help the first generation entrepreneurs in setting up their enterprises. Once the enterprise has been successfully set up, the *Udyami Mitras* would also monitor and follow up on the functioning of the enterprise for a further period of minimum 6 months and provide help in overcoming various managerial, financial and operational problems. Being a new programme, the participation/content relating to non state actors is a matter still under review.

### 3.3. *The Swarna Jayanti Shahari Rojgar Yojana (SJSRY)*

The Swarna Jayanti Shahari Rojgar Yojana (SJSRY) is a unified Centrally Sponsored Scheme launched a fresh in lieu of the erstwhile Urban Poverty Alleviation Programmes viz., Nehru Rozgar Yojana (NRY), Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) and Urban Basic Services for the Poor (UBSP).

The objectives of the Scheme are:

- Gainful Employment to Urban Poor, Unemployed and Underemployed.
- Setting up self Employment ventures and provision of wage-employment.
- Community Empowerment through creation of suitable community structures on UBSP pattern.
- Capability Building for Women's Group for small enterprises, Women's Thrift-cum-Credit Societies.

Operational since 1st December 1997, under funding pattern of Centre and State in 75:25 basis, the Scheme has two key components: a) Urban Self Employment Programme (USEP); and b) Urban Wage Employment Programme (UWEP).

USEP has three distinct parts:

- Assistance to individual urban poor beneficiaries for setting up gainful self employment ventures.
- Assistance to groups of urban poor women for setting up gainful self employment ventures. This sub-scheme is called "The Scheme for Development of Women and Children in the Urban Areas (DWCUA)".
- Training of beneficiaries, potential beneficiaries and other persons associated with the urban employment programme for up gradation and acquisition of vocational and entrepreneurial skills.

### 3.4. *Babasaheb Ambedkar Hastshilp Vikas Yojana*

This scheme aims at promoting Indian handicrafts by developing artisans clusters into professionally managed and self-reliant community enterprises on the principles of effective member participation and mutual

cooperation. The main thrust is on a projectised, need based approach for integrated development of potential handicrafts clusters with participation of the craft persons at all stages of implementation of the scheme with the ultimate objective of their empowerment ,and hence sustainability. The strategy of the Scheme involves six parts: 1) Social Interventions; 2) Technological interventions; 3)Marketing interventions; 4)Financial Interventions; and 5)Cluster specific Interventions

The implementation plan involves institutions belonging to the following categories:

- i) reputed NGOs, cooperatives, apex cooperative societies, Trusts.
- ii) other reputed organisations
- iii) Federation of NGOs/ SHGs consortia, /Federations/consortia of entrepreneurs, designers, exporters.
- iv) Non profits under Section 25 of the Companies Act
- v) Organizations registered under state / Central govt. Statute, for sustainable development of identified craft clusters.

### **3.5. Rural Business Hubs**

The RBH is the first ever Public - Private - Panchayat Partnership (PPPP) rural initiative to improve / refine the locally available resources and produce goods to enable larger market access. The Rural Business Hub indicates a group of entrepreneurs including farmers and artisans working together under the aegis of a village / block Panchayat to enhance value of their products with CII member companies for greater market access and prosperity. The RBH is aimed to allow people living in communities to use their skills in manufacturing products while the government and CII member companies will facilitate training design market access, and production capabilities.

### **3.6. Swarnajayanti Gram Swarozgar Yojana (SGSY)/ National Rural Livelihoods Mission**

SGSY was a self- employment programme basically aimed at below poverty line (BPL) families. The objective of the programme “was to bring the assisted poor families (swarozgaris) above the poverty line by ensuring appreciable sustained level of income over a period of time. For this purpose, the rural poor are organised into self-help groups through a process of social mobilisation, training and capacity building and provision of income-generating assets.

Under SGSY the SHG essentially plays two roles. One is the function of financial intermediation to help members build up their own financial capital through pooling of savings. The small credit needs that the SHG provides helps the member families to smoothen cash flows and systematically graduate to higher levels of credit absorption and risk planning leading to betterment in existing livelihoods. The second, and equally important, role that the SHG plays is to strengthen the values of mutual help and solidarity. At one level, this enhances the members’ self confidence and prepares them for taking calculated risks, and also organises them to challenge unequal social arrangements and bargain for rights and entitlements.

SGSY was envisaged as a holistic programme for self-employment. It covers all aspects of self-employment viz., organisation of the rural poor into SGHs and training, selection of key activities, planning of activity clusters, infrastructure creation, technology and marketing support.

The programme stressed the cluster approach. Instead of funding diverse activities, each block is expected to concentrate on a few select activities (key activities) and attend to all aspects of these, so that the swarozgaris can draw sustainable incomes, at least Rs 2,000 per month, from their investments. These key activities are preferably to be taken up in clusters so that backward and forward linkages can be effectively established. This facilitates not only monitoring but also the provision of various services required by the swarozgaris.

Since its inception in April 1999 till the end of 2007, a total of 2.7 million SHGs have been formed under the programme and over 9.3 million individuals have been assisted for self-employment – directly or through SHGs.

In the context of a large country like India, this represents only a modest achievement. Indeed IRDP, the precursor of SGSY, covered perhaps over 35 million families with 55 million asset loans during the 1980s and 1990s. Further, SGSY has been overshadowed in recent years by NREGA as the flagship programme of the Ministry of Rural Development (MoRD) involving central government expenditure of over Rs 12,400 crore in 2007 –'08 as compared to about Rs 1,540 crore for SGSY,

The sector-wise coverage of assisted swarozgaris under SGSY during 2007 –08 displayed the familiar pattern observed since the days of IRDP. Animal husbandry was the overwhelmingly popular income-generation activity for which loans were taken (about half of total). The next popular activity was petty trade, which had been taken up by about one-sixth of the beneficiaries.

### **SGSY and SHG Bank-Linkage and Microenterprise Development: Towards Convergence**

The potential of microfinance, whether under SGSY or SHG-bank linkage, has been posited on the ability, especially of women borrowers organised into groups, to carry out profitable micro businesses. With agriculture unable to absorb the growing rural labour force, the spillover factor adding to the numbers engaged in microenterprise, especially in the services and business segments, is strong. Yet not all households have the capability to undertake microenterprise. Several constraints may be in operation, which may limit the income – yielding potential of any investment. This could include the risk-averse behaviour of households. Poorer households are more likely to be disadvantaged in this respect on account of their lack of education, entrepreneurial skills, etc. Finally, demand constraints may be operative for the limited range of feasible microenterprise options (Tankha, 2001).

For years it has been accepted that there is scope for the integration of the SHG –bank linkage and SGSY programmes as their objectives are complementary, and to some extent, sequential. Apart from the range of “microfinance plus” elements the main area of difference appears to be the existence of the subsidy element, larger loans and the absence of a strong savings link to credit and sustained social intermediation in the case of SGSY. The two programmes delivered thousands of crores of rupees of loans to the same target group. Nevertheless, funds available under SGSY was grossly underutilised.

The physical and human infrastructure requirement for microenterprise development, particularly for non-traditional activities, can be substantial. Despite the presence of government extension departments, support even for traditional activities was deficient and the DICs were ineffective in the design of projects for this target group. Sporadic development of activities at the district level does not suggest itself as an easy way forward. Identifying viable new activities with local and wider demand, creating skills and backward and forward linkages is a task presently outside the capacity of district level officials.

Thus, microenterprise development for poverty alleviation requires a convergence of approaches not only between the current microfinance programmes but also a range of players at the district and higher levels. The expected synergies at local levels can be realised only if there is consistency and convergence between programmes and objectives of different stakeholders such as different Ministries and Departments and banks as well as NGOs. Above all, these would best be based upon consultations with, and priorities of the poor people themselves. Ideally, participatory micro-level planning with communities should result in mapping of the skills and capacities of the people and the demand for different products and services.

The Ministry of Rural Development subsequently decided to redesign the SGSY, into the National Rural Livelihood Mission (NLRM) to address poverty through a mission mode and to alleviate the rural poverty by 2015. The central objective of the Mission is to reduce poverty among rural BPL through promotion of diversified and gainful self-employment and wage employment opportunities to provide appreciable increase in income on sustainable basis. In the long run, it will ensure broad based inclusive growth and reduce disparities by spreading out the benefits from the islands of growth across the regions, sectors and communities.

The Mission seeks to cover 50% of all rural poorhouseholds into SHGs. Besides, in order to enhance the skill of rural artisans rural mega clusters are to be set up in Bengal and Rajasthan. The SHG approach

expected to help the poor to build their self-confidence through community action. Interactions in group meetings and collective decision making enables them in identification and prioritization of their needs and resources. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as improve their collective bargaining power.

### **3.7. Entrepreneurship Development Cells**

EDC is being promoted in educational institutions to develop institutional mechanism to create entrepreneurial culture in S&T academic institutions and to foster techno-entrepreneurship for generation of wealth and employment by S&T persons. Their functioning, as on today, is much to be desired. A reorganization of the scheme, linking them with research activities and Incubation Centres, can be more productive. The criteria of “reputed institutions” also should change.

### **3.8. Integrated Handloom Development Scheme**

Integrated Handlooms Development Scheme (IHDS) to be implemented during the Eleventh Five Year Plan has been formulated as a Centrally Sponsored Plan Scheme by merging the essential components, with or without modifications, of the four schemes i.e. Deen Dayal Hathkargha Protsahan Yojana (DDHPY), Integrated Handloom Training Project (IHTP), Integrated Handloom Cluster Development Scheme (IHCDS) and Workshed-cum-Housing Scheme, implemented during the 10th Plan.

Objectives of this Scheme are:

- To focus on formation of handloom weavers’ groups as a visible production group in a selected handloom clusters,
- To assist the handloom Weavers Groups for becoming self –sustainable,
- An inclusive approach to cover weavers both within and outside the Co-operative fold,
- To up-grade the skills of handloom weavers/workers to produce diversified products with improved quality to meet the market requirements,
- To provide suitable workplace to weavers to enable them to produce quality products with improved productivity,
- Market orientation by associating entrepreneurs, designers and professionals for marketing, designing and managing the production,
- To facilitate process of credit from financial institutions/banks.
- To encourage co-operativisation of weavers.
- Holistic and flexible interventions to provide need based inputs specific to each cluster/group,

### **3.9. Backward Regions Grant Fund**

Backward Regions Grant Fund Programme (BRGF) was launched by the Prime Minister on 19th February, 2006. The Programme covers 250 districts in 27 States. The existing Rashtriya Sam Vikas Yojana which covers 147 districts has been subsumed into the BRGF.

The programme is designed to redress the regional imbalances in development. Funds are available for supplementing and converging existing developmental inflows into identified districts. Panchayati Raj Institutions at all levels and Municipalities are the institutions for planning and implementation of the programme, through the participative preparation of district plans from the bottom upwards.

The structural & institutional deficiencies in backward districts result in lack of absorptive capacity, and hence, lack of desired outcomes. An inter- Ministry Task Group set up on 4.8.2004 by the Planning Commission concluded that Plans ought to be based on perceived need and real capacity in these areas to ensure utilization of resources within the specified timeframe to produce expected results. Hence, BRGF focuses on implementation of the process of participative planning. Centrally sponsored schemes have specific sectoral objectives and targets. BRGF can be used to supplement them through a comprehensive macro

approach, cutting across sectors and meeting inter-sectoral requirements. Creation of capacity for effective planning at district and lower level was seen as a key-pre-requisite to participative planning. Hence, there is a specific component in the BRGF programme for the capacity building of Panchayati Raj Institutions.

The Budget for BRGF comprised a total allocation of Rs.3750 crore during 2006-07, in two parts: 1)Capacity Building Fund of Rs.250 crore calculated @ Rs. 1 crore per district; and

- 1) a substantially untied grant of Rs.3500 crores. The Capacity Building component consists of training of elected PRIs as well as building the necessary institutions to support them in fulfilling their constitutional mandate. The Developmental component of the grant is substantially untied and can be used to fill the critical gaps vital for development by the Panchayats and urban local bodies.

**The salient features of the BRGF Programme are the following:**

- BRGF consists of two funding windows, namely, a Capacity Building Fund and a substantially untied grant.
- The substantially untied grant is to be distributed among the districts as follows: (a) every district will receive a fixed minimum amount of Rs.10 crore per annum, and (b) the balance allocation under the scheme will be made on the basis of the share of the population and area of the districts in the total population and area of all the backward districts.
- All the 147 RSVY districts will be released funds till the plans approved under RSVY (plus the existing monitoring fee) have been completed to the extent approved.
- Non RSVY – BRGF districts will begin the process of District Plan preparation in 2006-07 in accordance with these guidelines.
- Each Panchayat or Municipality within the backward district concerned will be the unit for planning under BRGF. Plans prepared by each Panchayat or Municipality will be consolidated into the District Plan by the District Planning Committee, constituted in accordance with the provisions of the Constitution.
- During the consolidation of the District Plan, particular care shall be taken to ensure that the District Plan addresses issues relating to SC/ST development.
- The State Government will designate a department, preferably the Department of Panchayati Raj, as the nodal department at the State level, responsible for the management, monitoring and evaluation of the programme.
- A High Powered Committee headed by the State Chief Secretary and consisting of Members from various departments of State Government and the Central Ministries will consider and approve the proposed District Plans to be taken up under the districts component of the BRGF.

All funds will be transferred to the Consolidated Funds of the State Governments. Those funds that are to be transferred to Panchayats and Municipalities by the State Governments will be transferred to their bank accounts within 15 days of the release of funds to the Consolidated Fund as in the case of transfer of Twelfth Finance Commission Grants.

A scheme with a high level of decentralization in its content, this scheme involves a significant opportunity of being implemented with the active participation of the NSAs. The guidelines of the Scheme should accordingly be modified, and the role of the NSAs should be clearly spelled out.

#### 4.0 NSA Involvement in Government Programmes

While the National Policy on Voluntary Sectors (NPVS) consider engagement of the civil society organizations as crucial, it is also important to examine the supply side of the problem. Why should NSAs involve in government programmes? An attempt was made to capture the causatives at the level of our field research.

**Table 7.2. Status of Involvement of NSAs in Government Programmes**

Status of Involvement	Number	Percentage
Involved	270	90.00
Not involved; not available	10	3.33
Not involved; not interested	12	4.00
No answer	8	2.67
Total	300	100

Data available from the field indicate a high level of involvement of NSAs in government programmes. However, there are also cases of a small number of those NSAs (mostly NGOs) who opted not to have any relation with government programmes. These are NGOs having comfortably good resource- base emerging from foreign donor sources, or those having the right contacts. The contingency table given below provides the broad relationship between the typologies of government programmes, as also the reasons why NSAs prefer to join them. The indication available is that ,access to government funds is the key attraction. The ANOVA table given below supports this finding.

The fact that NSAs are attracted into government programmes, in terms of the funds they provide, has important implications for policy, both for the performance of NSAs, as also for implementation of government programmes. Each government programme has a specific purpose for which funds are available. The fact that a large number of NSAs are attracted to them, irrespective of their competencies, is a reflection of the anomalies relating to both programme design and their implementation in the country. This argument is further supported by the finding that, the bulk of these programmes are sensitization events, such as workshops and seminars. This also raises some fundamental questions on the dissemination component of government programmes, which is common with most Ministries. This reflects a major handicap of the Ministries themselves. The Ministries need to develop their own capabilities of working with the private partners on an equal footing. Such a reasonable level of competency would imply that the best of the private sector partners and their capabilities would be harnessed for programme design and implementation. This often does not happen in practice.

A second reason by which the NSAs participate in government programmes is to enhance their own capability. This, in fact, is the result of a supply side approach to programme design and implementation. The crucial question here is, how are programmes designed? What is the role of grass-root level stakeholders in such design? Or, does it mean that the components of programme design are best known to the government Departments, and that the NSAs are just delivery agents. If so, this is not the right spirit and premises for a meaningful partnership .

The finding ,as above ,also strengthens the feed back we have from the field, regarding the resources position of the NSAs. The NSAs need to have at least basic resources for their sustenance. These basic resources should be ensured to them on the basic premises of a competitive environment which pre-supposes a level-playing ground for various actors in the economy. The fact that NPVS considers the private actors at par with government Departments, *ipso facto*, assumes a genuine right for a level-playing ground. This level playing ground should be the basis for utilization of capabilities and synergies between the government and the NSAs.

The discussion, as above, leads us to the need for a policy approach and strategies for addressing the resource problem of the NSAs. It also implies that, the monitoring system envisaged by the NPVS should work as the other side of the coin, i.e., the resource position.

**Table 7.3: NSA involvement in Government Programmes**

	Access to Govt Fund	To Serve People Better	Learning Opportunity	Credibility of the organisation	Total
Sensitization/Workshops/Seminars	108	53	5	16	182
Enterprise Development/Training	1	10	1	2	14
Business development Services	0	4	2	3	9
Research and Evaluation	2	5	1	4	12
Other Programmes	29	22	1	1	53
Total	140	94	10	26	270

While the actual state of GO-NSA relation remains as above, our field research gives indications on the constraints for the same, as perceived. Majority of the respondents consider appropriate contacts with the government agencies as the decisive factor in ensuring availability of such funds. This, again, corroborates the top-down nature of public programmes which, to a large extent, explains the failure of the delivery system.

**Table 7.4: Perception on Constraints in Availability of Government Programmes**

Constraints	No. of respondents	Percentage
Limited contacts	190	63.33
Corruption	47	15.67
Limited skills/personnel	16	5.33
Limited infrastructure	15	5.00
Other reasons	20	6.67
Not interested	12	4.00
Total	300	100

#### **4.1. Tapping the Potential**

Tapping the potential of the NSAs is not simply a technical question. It is essentially a question of relative developmental roles. Despite discussions and policy pronouncements over the past several decades, the structure of the private sector has never been an area of in-depth examination. Hence, some constituents of NSAs have often been given undue representation or importance in consultative bodies constituted by the government. For instance, it has often been alleged by SME Associations that corporate interests often creep into public SME consultative bodies. The field level discussions indicate that, lack of transparency and arbitrariness significantly are a fruitful relationship between the government and the non-governmental actors.

**Table 7.5: Opinion on Government-NSA Relations**

Responses	No of respondents	% of respondents
Do not consult; Programme guidelines and practice do not match	184	61.33
Government agencies consult NGOs regularly	83	27.67
Do not want to work with government	13	4.33
Don't know/or no opinion	20	6.67
Total	300	100

**Table 7.6: Perspectives of GO-NSA Relations: Key Priorities**

Responses	No of respondents	% of respondents
Trust has to be built up	18	6.00
Govt should fund BDS organizations regularly (matching grant system)	6	2.00
More flexible Income Tax laws needed	18	6.00
Involve relevant NGOs in all economic programmes	170	56.67
Each Ministry should have a consultative forum	3	1.00
Guidelines for GO-NGO relationship should be framed and publicised	76	25.33
No response	9	3.00
Total	300	100

The indications available from the field are that, there is lot of ignorance and mistrust regarding the government's relation with the NSAs. Government's role is significantly seen as *regulatory* rather than *developmental*. As indicated by the responses in table 6.8, the governments role is perceived essentially in two forms: a) neutral, where it need to be proactive and developmental; and b) regulatory, where the necessary freedom can help the NSAs perform on their own. Such broad perspective was found to broadly shape the thinking and attitude of the NSAs towards the National policy on the Voluntary Sector. As seen from **table 7.7**, the majority of the respondents were ignorant on the NPVS. Even those who were aware of it ,were not hopeful of a significant result from such a Policy.

**Table 7.7: Perspectives on NPVS**

Perspectives	No. of Respondents	Percentage
Ignorant	112	37.33
Satisfies a felt need	39	13.00
Not clear on action points	136	45.33
No comments	13	4.33
Total	300	100

Regarding the specific areas of enterprise and livelihood development, the issue, as above, needs more focused attention. A key stakeholder in this specific area is the banking system. While the era of development banking witnessed at least some element of partnership between the development banks and the NGOs, this culture is practically dead now. Banks, especially the public sector banks, are on the look out for business opportunities, but are often reluctant to spend their resources on business promotion in an innovative way. Ideas and skills emerging from the NSAs are not properly rewarded by the financial institutions. The question is essentially one of a retarded and obsolete banking culture, a change in which need to come essentially through the proactive role of the Reserve Bank of India and the Ministry of Finance. A culture CSR need to be inculcated in the public sector financial institutions, and unlike the private sector, it cannot come through choice of individual companies, but by strong directives of the RBI and the Ministry of Finance. This is vital for translating the recommendations of the Usha Throat Committee on revitalization of SLBCs, a reality.

The lesson that emerges from the above perspectives is that, before the Policy is operationalised, there is need for much groundwork. The groundwork needs to start from detailed consultations on the role of NSAs according to particular functional areas. The focus on livelihoods and enterprise development, which are the focus of the present study, fits in very well with this need.

Tapping the potential of the non state actors need to be approached from two sides: 1) demand side; and 2) supply side. On the demand side, the existing government programmes should be tailored to use the potential of the non state actors. Tapping the potential of the voluntary sector is a really complicated area, where, there need to be a close understanding of the types and tiers of non-state actors. While we have already made such an attempt in an overall context, it is necessary to make such an attempt in the specific context of particular Ministries and their specific programmes.

**Table 7.8: Perspectives on Present level of Utilization of NSA Capabilities**

Level of utilisation	No. of responses	Percentage
No Comment	47	15.67
Utilised, but not sufficient	190	63.33
Not utilized at all	30	10.00
Not relevant	33	11.00
Total	300	100

The respondents' perspectives on concrete areas of potential intervention by non state actors was captured at the level of the field research. Six key areas have been identified, as given in table 7.9.

**Table 7.9: Perspectives on Potential areas of intervention by Non-State Actors**

	Number	Percentage
Business Development Services	18	6.00
Entrepreneurship Education & training	49	16.33
Skill Training	105	35.00
Market Development Assistance	23	7.67
Implementation of Self-employment Programme	80	26.67
Research and Documentation	9	3.00
Others	3	1.00
No Response	13	4.33
Total	300	100

On the supply side, the nongovernmental sector has vast skills and expertise, which remain unutilized now. They need to be harnessed, and appropriate programmes should be developed for this.

An attempt was made to capture the perspectives on the present level of utilization of the capabilities of this sector. The majority of the respondents felt that the potential has not been adequately utilized (Table 7.8). The material conditions for utilizing/channelising the potential of these organizations is often not present, and the majority of the respondents felt that these conditions need to be changed.

#### 4.2. Constraints for Tapping the Potential

An attempt was made by the field research to capture the nature of the material conditions as above. The constraints, as expressed by the respondents, are given in table 7.7.

**Table 7.10: Critical Constraints in Tapping the Potential of the NSAs**

Constraint Area	No. of respondents	Percentage
Resource constraint	175	58.33
Lack of leadership	35	11.67
Repetitive programmes	15	5.00
Lack of specialisation	5	1.67
High govt intervention	56	18.67
No Response	14	4.66
Total	300	100

**Table 7.11: Key Problems in Resources as Perceived by Respondents**

	Problem Areas	No. of organisations
Rigid Income Tax Laws	53	17.67
Lack of core funding	100	33.33
Lack of consistency of donors	41	13.67
Lack of awareness of felt needs of people	7	2.33
Poor cooperation by government agencies	14	4.66
Corruption in channelising programme funds	85	28.33
Others	14	4.66
Total	300	100

##### 4.2.1. Resource Constraint

The single largest constraint identified by the respondents was the resource constraint itself. NSAs obviously have significant latent potential. However, in order for them to develop and utilize such potential, much investment is needed, for which, lack of resources become a critical constraint. The resource constraint, as perceived by the respondents, was collected and collated to lead to some important findings. While public policy is increasingly recognizing the role of the non state actors in enterprise development, it has not yet appropriately understood the importance of keeping such actors as sustainable entities. The various constraints in this regard are given in the table.

Therefore, the question of tapping the potential of NSAs is, alternatively, a question of addressing the resource position of the actors. Government and the community as a whole, expect several things from the

NSAs. However, the question as to how these expectations are to be met remains an open ended question. It is in this context that public funding of non state actors become relevant.

The question of public funding, however, should not be considered as a means of regulation. On the other hand, it should be used as a safety net mechanism by which, genuine NSAs and their good work are protected from extinction.

#### ***4.2.2. Lack of Leadership***

The non-governmental development sector is characterized by serious constraints of leadership in the modern era. The globalization era is characterized by much vexed economic issues, which demand intelligent solutions. However, most of the NGO leadership today is characterized by amateurs or ill equipped professional, except of course, for isolated doyens in the field. This skewed growth of the sector has important implications for improvement of quality and delivery of efficient services in enterprise development related activities and services.

The lacuna of leadership is significant in the area of idea generation also. The government and the people at large, look at NSAs for new ideas. But the process of idea generation itself is seriously retarded because of inefficient leadership.

Leaders emerge first, and ideas follow. This is true of the history of several areas of non state intervention programmes in India. For instance, the micro finance movement emerged as a small experiment. Similarly, the history of the network of the Indian Council of social science Research (ICSSR) demonstrates such a story.

Functional areas relating to enterprise development, however, provide an excellent ground for evaluating the role of particular institutions. These areas are demand-driven areas, and the actors are expected to provide demand-driven services. Though there are a number of non state development actors in India, the supply situation is found to be highly skewed. While in some areas such as micro finance, a large number of players operate, in others such as BDS, there are only a few. The task of public policy should be to identify such lagging areas, and to initiate a massive programme of capacity building.

#### ***4.2.3. Repetitive Programmes***

The repetitive nature programmes is a major constraint which often hampers effective implementation. For instance, the cluster mode programme by various Ministries has resulted in the coming into the limelight, a few consultants and organizations who carry out programmes of various Ministries simultaneously. Capabilities of Cluster Development Agents (CDAs) are often assessed in terms of previous track in a related programme, and not in terms of the expertise relating to the specific sub sector. This practice is likely to lead to unhealthy practices ,as it has been reported in various evaluation reports of the MoRD. In new areas such as cluster development, a number of first level and second level agencies should come up. Capacity building initiatives should be oriented towards this direction.

### **5.0. Conclusion**

The discussion in this chapter leads us to the conclusion that, the question of government-NSA partnership is more of an ideal today, and not based on any scientific assessment of what is expected of it, and of the objective conditions. There lies the confusion between a perception of NSAs being viewed with a big developmental role, but at the same time being viewed as agents of corruption. This is major dilemma of public policy which needs to be addressed in terms of two major pillars: 1) the present and potential capability of NSAs; and 2) their resource- base, which equip them in order to develop and sustain these capabilities.



# 8

## Perspectives on Partnership

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### 1.0. Introduction

A crucial objective of this research project is to identify a set of national collaborative programs, where the government and NSAs can meaningfully collaborate. This implies looking at the role of non state actors from the supply side. Such a collaboration need to be explored in terms of the historical relationship between government and the various non-state actors, as also the changes in the objective environment that have taken place over time.

The traditional role of NSAs has been as delivery agents of government programs, where the scope, objective, and content of such program were predetermined.. While such relationship was relatively primitive and informal, changes have taken place over time, such that, the capacity of non-state actors themselves have grown significantly. The more recent phenomenon is that, both the government and the NSAs function as partners, with some element mutual trust and sharing of expertise. How to place such co operation on a more logical footing, and to make the communication between the two, more effective, is the issue which needs to be given primacy.

### 2.0. Programs of Enterprise Development: Voluntary Sector Participation.

We have already examined how the various non governmental actors participate in government programmes. Those examples indicate a less direct role of these organizations. In the new environment, these agencies can, and need to play a more active role for several reasons:

- 1) Knowledge creation in government departments
- 2) Speed of knowledge transmission mechanisms
- 3) Procedural delays
- 4) Cost advantage-outsourcing advantages
- 5) Better international linkages
- 6) Flexibility in channelising resources

#### 2.1. *Knowledge Creation*

#### 2.2.

In an era of globalization, knowledge is the driving force of enterprise, and of development in general (Acs,2003).Therefore ,the division on the basis of knowledge decides inequality between countries and regions(ILO,2003).However, knowledge creation is the outcome of a continuous process, where various actors participate. Private sector obviously has an edge over the government in this regard. Channelising the stock of knowledge in the private sector into a continuous flow that is beneficial to society is the task before the government. In this process, the NSAs have a very crucial role to play. This role has yet to be properly understood in a proper perspective, in order to build a fruitful platform of cooperation between the government and the NSAs.

#### 2.3. *Knowledge Transmission Mechanisms*

Knowledge transmission mechanisms are the mechanisms available for diffucison of knowledge from a developmental angle. The private sector, driven by private profit motive, would be selective in ensuring such

transmission. Government mechanisms on the other hand, are slow in accessing such knowledge, as also for the transmission. Therefore, besides the slow impact, it creates a crisis of confidence in the government mechanisms. It is in this context that the role of NSAs becomes more crucial. For instance, a large corporation may not part with its best practices freely. However, an industrial cluster association or SME Association, would be happy to part with their knowledge and experience for common benefit. Hence the, the NSAs become better vehicles of knowledge transmission.

#### **2.4. Cost advantages.**

The 'use- and throw away' culture associated with large corporations has become widespread in the globalization era. In addition to wastage of much local resources, it also leads to the fast deterioration of localization. Petty manufacturing is conceptually against this paradigm. It is this paradigm which is highlighted by most NSAs in developing countries, where, inclusive growth, rather than 'growth plus' is the dominant philosophy of development.

#### **2.5. Better International Linkages.**

Where the developing countries, in the short run, have to fight against many of the adversities of globalisation, while enjoying its benefits, developing exploitative international linkages is a must. From the developmental angle, the NSAs which are more sensitive the development challenges, have much greater international exposure and understanding to cope with this requirement.

#### **2.6. Flexibility in Channelising Resources**

Mobilization of international resources for development, by a spverign country need to be done with great caution. It is from this angle that that India has enacted strict laws for regulation of foreign exchange flows, both in the form of remittances and contributions. While laws and relevant rules remain rigid in most countries, it is the perspectives behind public policy that ensures the smooth flow of such resources for developmental purposes. Non state actors have a key role to play in shaping these perspectives, through advocacy, articulation, and direct action. Unless such interventions take place, law would naturally remain rigid and the intent would practically be defeated. The changes in the FCRA that have taken place over the last one decade, are cases in point.

### **3.0. NSA Participation and the Role of Planning**

While the National Policy on Voluntary Sector envisages an active role for the NSAs in the eleventh Five Year Plan and beyond, it raises some fundamental questions on the objective situation of public policy in the country. Two important questions which need to be answered in this context are the following:

- a) Is the perspective of the planner generally owned by the government as a whole, and that, could one ascribe NPVS as central to the Eleventh Plan agenda?
- b) Do the Ministries of the Union government perceive a demand for the services of the NSAs in the design and implementation of programmes, or do they perceive it as a conditionality imposed by the planning commission?
- c) In the Federal system that India has, the state governments and the local governments been taken into confidence, and do they perceive a need for NSA involvement in the design and implementation of their programmes?

While answers to all the above three questions is not readily available, some observations on the state of planning and programme implementation in the country, are likely to be instructive:

- 1) Unlike the early decades of planning, the role of the Planning Commission and of the Five Year Plans today are more indicative than target-specific. This would obviously imply that, despite the initiatives by the Planning Commission, the line Ministries / Departments have not yet started giving due importance for developing a programme of NSA participation. It is important to note that, many of the economic Ministries have not yet prepared a list of NSAs attached to them for the data base being prepared by he Planning Commission.

2) The picture available from the states is rather mixed. In some states, NSAs are not at all involved. Even if involved, they are under close supervision by the government. Or state-sponsored NGOs take an upper hand in dealing with the government (eg: Kerala and West Bengal). In some other states, State administration has taken a convenient approach of utilizing the NGOs to cover up their failures( eg: Chattisgarh, Orissa and Bihar).

3) The general trend in Go-NGO collaboration at the grass root level is rather mixed. PRIs do not function beyond elementary water, sanitation and RD programmes ,in which ,things are not very transparent .In states where, the feudal relations still remain, directly or indirectly, the division of roles between NSAs and the government are rather immaterial.

4) The general trend observed in backward districts of the country is that large NGOs are the carriers of various development projects to the people.

#### **4.0. Transition from Livelihoods to Entrepreneurship**

We have discussed the semantical issues relating to livelihoods and entrepreneurship in Chapter 1. The discussion on livelihoods is essentially a major corollary of debates on poverty. India is one country which has produced significant literature on poverty, and therefore, the active debates on livelihoods is understandable.

In the Indian context, entrepreneurship is a relatively new concept, though the country has a tradition of several forms of entrepreneurship .India's specific experience of entrepreneurship at the grass root level lies in manufacturing. A comparable situation does not exist in many other parts of the world, where even when the size of the SME sector is as high as 98% of all employment, their economic contribution largely relates to services, and not in manufacturing. This diversified industrial structure offers enormous opportunities and operational space for various development actors. It is the above objective situation that urges us to look for new opportunities of intervention.

#### **5.0. Critical Areas of Partnership**

In India, every Ministry/Department has programs with some component of enterprise development. An understanding of these components, as also of the extent of voluntary sector participation, are likely to provide opportunities for exploring a fruitful relationship. Such programs may be broadly categorized under the following heads:

##### **5.1. Cluster Development Programme**

In modern times, 'collective efficiency' models are more popular in the practice of development administration, due to various reasons. On the one hand, they are cost effective. Similarly, they are more participative and are efficiency- oriented. Ministry of MSME has a Cluster Development Program for industry, which was evolved about 10 years back. Similarly, there are also several cluster-focused programs being implemented by other Ministries, such as Rural Development, Textiles and Food Processing.

The methodology of Cluster Development presupposes the presence of some technical infrastructure, such as a Special Purpose Vehicle (SPV), and Cluster Development Agents. Such infrastructure involves significant dynamism and innovativeness, which the NSAs can significantly contribute.

Despite significant achievements in the perfection of cluster development methodology in India, the record of involvement of NSAs in this programme remains much to be desired. In the Handloom sector, out of the 22 cluster programmes being implemented in the country, the involvement of NSAs is present only in four such clusters (Bargarh (Orissa), Bhagalpur (Bihar), Chanderi (Madhya Pradesh), Kurinjapdai (Tamil Nadu), Madhavaram (Andhra Pradesh), Sonapur (Orissa), Thiruvannamalai (Tamil Nadu) and Varanasi (Uttar Pradesh)). While Tamil Nadu has taken an active policy of involving NSAs as Cluster Development Agents, many other states have preferred to have this role being performed by Government agencies themselves.

##### **5.2. Technology Development and Dissemination**

This is an area where there is significant scope for public -private participation. Programs of the Ministry of Science and Technology and of the Council for Advancement of Peoples Action and Rural Technology (CAPART) offer such opportunities for partnership. The country has a strong network of S&T institutions;

but the utilization of their output is still much to be desired. In the specific context of globalization and Regional Trade Agreements, there is high need for enhancing productivity and competitiveness of various sectors and sub sectors of the Indian economy, where, NSAs can play a meaningful role. This role essentially relates to articulation of the local needs and linking the Labs with the field.

### **5.3. Finance**

Finance is a critical area in discussions relating to enterprise development. Such discussions often center around public policy, and much less on actual interventions in the field, the micro finance programs and micro insurance are much less enterprise development programs in practice. However, there are opportunities of evolving new models in this area. Venture finance and insurance are two areas in which innovative ideas that are contextual, which need to emerge. NSAs, working with the relevant Ministries and development banks and donors, can evolve appropriate products in this area.

Micro finance, conceptually, provides the base of the livelihood-entrepreneurship continuum. There is an exponential growth of the micro finance movement in the country during the past two decades. But its impact on entrepreneurship remains still open. This indicates the need for capacity building and orientation of the NSAs.

Many foreign donors, who were contacted by the research team, consider this as a key imperative, but also have reported serious constraints in convincing and changing the NGOs in this context. A partnership between the government, donors, and the corporate sector on the basis of a clear manufacturing policy can yield significant results in this area.

Evidences available in the context of micro finance indicate that, financial intervention by itself cannot address the issues of sustainable enterprise development, unless it is strongly supported by professional non financial interventions. Micro finance, as it has been promoted by the government and international donors, has created a significant bandwagon effect since 1990's. Apparently, it got equated with, and was offered as a panacea for the problems of employment generation and enterprise development. Recent evidences indicate that like banks, micro finance institutions also back out, as and when there is a slow down in the economy. According to the latest reports available, 25 per cent of the non-deposit taking micro finance institutions have reduced their lending during March, 2008-2009, and reduced their staff by 20 per cent. ( see *Micro Finance Insights*, March-April 2009)

### **5.4. Trade/Export**

While promotion of exports is a critical thrust of programs of many Ministries, the actual impacts remain much less debated. Fair trade, export production, patents and trademarks, are key areas of innovation thrust today. However, government, by itself, cannot play a significant role in achieving the desired results. It is in this context that the role of non state actors become relevant. IPR protection will become a reality, only if professional non-state actors play a key role in conceptualizing, and carrying it forward for implementation, in active partnership with the government agencies.

### **5.5. Research and Documentation**

Research and documentation are two crucial and well-knit areas where the non state actors are expected to play a key role. The country has the experience of several entrepreneurship development institutions, incubation Centres, and Small Business Research Centres and departments, which have undoubtedly helped to improve the quality of public action for SME promotion, during the past few decades. While quasi-government organizations, such as NISIET, NIESBUD and the Entrepreneurship Development Institute of India have helped to kindle light in this crucial area, other institutions such as, Institute of Small enterprises and Development( ISED), have helped to bring to light a few of the critical areas which have otherwise remained least attended. (e.g.: Small Enterprise Observatory)

### **5.6. Skill Development**

Skill development is one area, which has gained significant attention in the recent past. The recommendation of the National Manufacturing Competitiveness Council, have helped to formalize a relationship between the related Ministries, such as Ministry of Labour and Ministry of MSME and Science and Technology, to

chalk out relevant programs in this area. However, the task envisaged by NMCC is not skill development by itself; it envisages an integrated programme of complete innovation, where, it is the NSAs that can easily adapt and act upon.

### **5.7. Local Economic Development**

The latest thinking in development circles is focused on the polarizing effects of globalization. Globalization has resulted in a significant growth of some urban centres, at the expense of retardation in other areas. This finding has resulted in the search for a new agenda of **local economic development**. The programs of the Ministry of Panchayat Raj, and especially the 'Rural Business Hub' programme deserve mention in this context. The program is conceived as a public-private partnership initiative.

### **5.8. Entrepreneurship Education and Development**

Modeling of entrepreneurship development became popular since 1970s. The initiatives of EDII, the role of NGOs and that of development banks such as SIDBI and NABARD, have helped to bring to light new forms and opportunities of participation between the government and the non state actors. However, start-up programmes and Performance Improvement Programmes of the 1990s have practically become outdated and disappeared. However, new research and programme modeling need to continue, taking into consideration the emerging needs of the economy. Such need assessment and articulation needs to take place with the active participation of the NSAs.

With the mushrooming of private Management Institutes, the interest in entrepreneurship as a subject area has gone up. But the thrust on quality, scaling up, and linkages, are also vital areas which need immediate attention.. Significant private sector support, enhanced research and teaching opportunities, and enhanced synergy with government programmes, are vital. The state-of-the art concepts of the day are, Incubators, Observatories, and other modern infrastructural interventions, which private sector alone can meaningfully initiate.

### **5.9. Business Development Services**

Business development services are one area where the need for participation by private actors is crucial. However, the present state of participation is far from satisfactory. There have been several initiatives by various organizations such as the ILO, the World Bank group, as also by various professional institutions in the country. However, the BDS market is something that need to be properly analyzed and tuned to the requirements of the emerging environment.

### **5.10. Energy and Environment**

With the significant thrust in international policy relating to global warming, the subject has gained significant prominence in the enterprise development agenda as well. The Ministry of MSME has a special programme which has dimensions of the global warming issue. Clean energy, as also the use of clean energy in industrial applications, throws up a two-pronged imperative: 1) to have greater synergisation of programmes of various Ministries; and 2) development of clean energy as an industry itself. Being a rather virgin area, these can be achieved only with the active co operation of the voluntary sector.

The current state of the ten functional areas, as above, should be studied in-depth by the Planning Commission, for co ordinated action on a priority basis.

## **6.0. Economic Crisis and the Donor Assistance Programs**

The donor assistance program at the international level has gone through several experiments, both at the programme level, and in terms of the focal countries. In India, the report of the Ford Foundation provided the foundations for donor programs in the area of enterprise development. The Industrial Estate Programs, Tool Rooms, Cluster Development and the clean development agenda have gained significant importance in enterprise development. However, taken all these areas together, their contribution in relation to micro finance programs remains much lower.

The micro finance program has played a significant role in enthusing the voluntary sector in the country, as also for channelising the capabilities of this sector. However, as several studies have indicated, the movement

has not helped significantly to provide a sense of direction. Microfinance facilitates livelihood opportunities. But enhanced availability of livelihood opportunities can also lead to dependency. Providing livelihoods as an issue at the periphery of poverty eradication, would naturally imply that a large number of NGOs engage themselves as facilitators for at least some income-earning opportunities. The experience so far shows that, there are several livelihood programs in the country, which often do not bloom into entrepreneurial activities. It is in this context that the question of 'triple bottom line' has to be raised.

The global economic crisis has provided an opportunity for testing the sustainability of donor assistance programs, where donors themselves find it extremely difficult to take up new programs, and choose to confine only to the existing programme. This is the right time to review the sustainability of these existing programs.

The economic crisis has thrown up several new opportunities. A squeezing of purchasing power would naturally mean that every consumer would try to depend on cheaper substitutes, in order to satisfy the existing demand. In the process, the smaller enterprises can have the opportunity of grabbing many of the market segments which were earlier enjoyed by the larger companies. However, grabbing such opportunities would require excellent training and exposure to the existing enterprises.

The Twelfth Five Year Plan would have the major challenge of consolidating the achievements of the SME sector, and to develop a Plan where the sector has a key role to play. The present pace of manufacturing growth in the country and the triggers of such growth would get increasingly weakened, at least until the end of 2010. This would essentially require new roles, new actors, and new arrangements in an emerging growth strategy. Getting prepared for such a new strategy, would require a realistic understanding of the capabilities of various non state actors, along with the Plan priorities.

# 9

## Accreditation and Monitoring

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### 1.0. Background

The globalization era has witnessed the mushrooming of civil society organizations as also donor agencies. During this period, several attempts were also made to set up NGO groupings named differently as CNRI, CAF India, Transparency International, aimed at rating the performance of such development organizations. While these voluntary initiatives are meant to be self-regulation platforms, from the point of view of effective regulation, the wider question on how the performance of these organizations be regulated, still remains open. It is necessary to have the **bare minimum** of a regulatory framework, which ensures that the civil society is visible in the eyes of the government.

Viewed from the above angle, the need for a national level regulatory mechanism is now well accepted. The bare minimum requirement in this regard is a mechanism of head count. A second step should be estimating their developmental role. The Central Statistical Commission has already initiated a project to estimate the national income contribution of this sector.

### 2.0. Regulatory Experience Elsewhere

Regulatory experience of some other countries have been documented. Under Section 1 of the Charities and Trustee Investment (Scotland) Act 2005, the Office of the Scottish Charity Regulator (OSCR) is responsible for the regulation of Scottish Charities. OSCR's function is the oversight of an effective regulatory framework including the granting of charitable status, maintenance of a public register of charities, the investigation of apparent misconduct and facilitation and monitoring of compliance with the Act. OSCR is a Non-Ministerial Department and forms part of the Scottish Administration accountable to the Scottish Parliament. OSCR's overall vision is for a flourishing charities sector in which the public has confidence underpinned by OSCR's effective delivery of its regulatory role. OSCR aspires to be respected and valued in the execution of our functions and is committed to certain key values or principles.

OSCR is committed to a regulatory approach which embeds the principle of proportionate action and encourages charities to identify and address issues of concern. In some circumstances, an enquiry will result in an application to the court,

if there appears to be misconduct or if it is considered necessary to protect or properly apply charitable property. However, in general, OSCR will prefer to avoid court action and to proceed instead by way of making appropriate recommendations to the trustees and monitoring their implementation.

OSCAR has a pro-active approach to charity monitoring. Every charity must complete an annual return and submit this alongside the accounts within nine months of the accounting period end. For those charities with an annual income above £25,000, a Monitoring Return is also required, analysing aspects of the charity's financials.

This regulator has some supervisory powers:

1. Enquiries: sections 28 - 29 of the Act provides OSCR with the power to make enquiries, either generally or for particular purposes and, for that purpose to obtain various types of information from charities.
2. Intervention: sections 30 - 36 of the Act outline a range of specific powers of intervention, some can be exercised by OSCR solely and others on application by OSCR to the Court of Session.

3. OSCR has a duty to remove charities who no longer meet the charity test or direct that they take such steps that OSCR believes necessary for the purpose of meeting the charity test (section 30). OSCR is also under an obligation to review entries in the Register under section 3(6), which will be substantially carried out through a rolling review programme, which will commence in 2007.

The information contained in the Monitoring Return is assessed by OSCR, the Scottish Charity Regulator, against no fewer than 41 Exception Reporting triggers that may highlight areas of potential interest or concern, such as:

- Large charity or major fundraiser
- Sudden growth or contraction
- Possible failure to apply funds for charitable purposes
- Poor liquidity, low reserves or threats to viability
- Fundraising issues
- Adequacy of governing board
- Transactions with trustees
- Trading company issues

The Charities Reorganisation (Scotland) Regulations 2007 allow members of the public to object to a proposed charity reorganization scheme.

Several other countries also have initiated regulatory mechanisms with different degrees of control that limit/outline the performance of NSAs.

### 3.0. Outline of a Regulatory Framework

As mentioned above, a regulatory framework for the civil society sector should perform two crucial purposes: 1) head count; and 2) meaningful development intervention.

The first step in this regard should be to define civil society in the country. The political society and its participants are clearly defined in terms of their functions. Such a functional approach is necessary to define the civil society also. A convenient approach could be to have a *definition of exclusion*. All organizations that are outside the purview of a political society can be defined as civil society organizations, or broadly speaking, as **civil society actors (CSAs)**. Defined so, any outfit created by the government to serve its interests and control directly, cannot be considered as a civil society organization. For instance, there are several NGOs, societies and organizations constituted under Section 25 of the Companies Act, constituted directly by the Government, which do not qualify to be included in the above definition.

### 4.0. The Purpose of Regulation

‘Regulation’ is often a bad word in modern development literature. However, accreditation and monitoring essentially perform a regulatory function.

Why should there be accreditation? There can be several explanations. The generally referred reason is the **invisibility argument**. Any organization which is not accredited is **invisible** before the government, and therefore, they do not qualify to be partner for any official programme, and much less for availing any material benefit from the government. Every public programme has a public interest, and a private agency can partner itself in such a programme, only if the government is convinced on the commonality of interest of both the parties. Accreditation provides an opportunity for ensuring such commonality of interests.

Commonality of interest need not necessarily mean that the partnering CSAs should have exactly the same views of that of the government on all issues. It is also possible that the government can be at the receiving end of ideas and expertise, which the CSAs often have. This learning process also provides opportunity for the common benefit of enriching the existing programmes. (eg: micro finance).

While the purpose of regulation should be to ensure that the capabilities and potential of the NSAs are utilized to the best interests of a society through a cross fertilization of ideas, the government has to ensure that the funds allocated and goodwill of the government is not mis-utilized. This is one area where regulation

has to play a meaningful role, while taking appropriate mechanisms into confidence. To outline such mechanism is a key task which needs to be addressed.

### 5.0. Perspectives on Regulation

While the methodologies of accreditation and monitoring are a really sensitive area, our field research tried to capture the perspectives and concerns at various levels. NSAs emerge and operate in a particular logical context. Apart from several allegations against them, they operate in a functional space emerging largely from an operational space created by the state itself. Such space may be the outcome of permissive or compulsive sequences. Permissive sequences are those space deliberately created by the government itself. Compulsive sequences are those inefficiencies or lacuna of the government itself.

While the NSAs make use of such a space, they are also vulnerable to such lacuna and deficiencies. Maintaining safeguards against such anomalies is the purpose of a monitoring system. The perspectives on a monitoring system that the NPVS should lead to, is given in **table 9.3**.

**Table 9.1 Distribution of NSAs According to their Accreditation /Affiliation Status**

Accreditation /Affiliation Status	No. of Organisations	Percentage
Accredited with Rating Agency	3	1.00
Affiliated to a Central Agency	14	4.67
Stand-alone	273	91.00
No Response	10	3.33
Total	300	100

**Table 9.2 Perspectives on Accreditation by Respondents**

Responses	No.	Percentage
Accreditation means back door control	170	56.67
Credible organizations need no accreditation	40	13.33
Accreditation is costly/involves commitments	55	18.33
Accreditation enhances credibility	14	4.67
No Response	21	7.00
Total	300	100

**Table 9.3 Perspectives on a Monitoring System**

Perception	No.	Percentage
Need A Registry For All NGOs	26	8.67
Need An Independent Monitoring System	12	4.00
Self Regulation, No Interference	224	74.67
Need for a rating system	18	6.00
No Answer	20	6.67
Total	300	100

Most respondents felt that self-regulation as the best method. However, there was no unanimity of opinion regarding the mode of self regulation. Rather, there was much confusion regarding the methods for self-regulation. This has been indicated by the poor response to the self-regulation initiatives so far. The Planning Commission has already set the ball rolling by initiating a national registry of voluntary organizations. The online signing-up by the voluntary organizations is expected to make them eligible to be brought under a unique I.D. This ID is expected to be useful in their involvement in future government programmes.

Some of the respondent organizations felt that, regulation is a safe word used to “control” civil society organizations. They cite the example of the rigid rules of the Ministry of Finance and the Home Ministry, which often do not help the NGOs to perform effectively.

Most respondents felt that, any regulatory system will function effectively only if the resource generation that often constrains civil society organizations is properly addressed. It is the poor resource- base of many NGOs that prompt them to engage in less transparent activities. Some form of state funding of civil society actors has found favour with most respondents. Such a response again brings back to the need for effective mechanisms for regulation.

## **6.0. Redefining the CSAs**

The above feedback from the field necessitates a further look at the role and relevance of CSAs, in relation to the state. The key question relates to the purpose of a CSA. Is it a crucial development actor, or is it a passive facilitator? On the basis of this question, we should be able to cull out a subset which can be described as Civil Society Development Organizations (CSDOs).

From the point of view of head count, there need to be an institutional structure called the Office of the Registrar of Civil Society Actors (RCSA). It can perform the function of having a permanent registry along with relevant updates for the same. This office can also initiate relevant studies, and create databases from time to time.

The role of the RCSA should, however, be clearly defined: It should be **facilitating** rather than **regulating**. The fact that RCSA is made mandatory in order to gain access to any partnership programme with the government, would obviously prompt these organizations to register. The registry can also be used as a tool for enhancing the visibility of these organizations among potential partners and donors. A Directory of these organizations, as also display of this list in the website of the Planning Commission, relevant Ministries and the State Planning Boards, can add value to the new system.

### **6.1. NSAs as Legal Personalities**

Having an Office of the Registrar of Civil Society Actors(RCSA), has a specific purpose. It should be a major step towards evolving a national pattern of identifying the civil society organizations as legal personalities. These organizations have been registered under various State level Acts, with different implications. Having a uniform Act for a matter which is a State subject, may have several practical difficulties. A registry in which the state level registration details directly pass through, would have the significant advantage of evolving a national pattern, binding on the Central Ministries and the state governments alike, without infringing upon the jurisdiction of the powers of the state governments. Legislation by the parliament, in this context, is worth consideration.

The developmental role of CSDOs needs to be harnessed through the nodal Ministries. The nodal Ministries can enlist the relevant CSDOs and can maintain a relation which can be styled as a consultative status, just like the consultative status that exist in the case of the Economic and Social Council of the United Nations. Having a ‘consultative status’ relation ,implies a mutually beneficial relationship between the Ministry and that organization. This would imply that the Ministry also has responsibility to support the organization. This support can work in various forms, such as programme agreements, annual grants on similar relationships. Another crucial role of the Ministry is that, the CSDOs should be insulated from the **strangerly approach** of other Ministries. For instance, the Union Budget 2008 brought in some amendments to the definition of the income accrued by non-governmental organizations, which, in fact, has negatively affected the working of several well meaning organizations. While the Ministry of Finance cannot easily distinguish between organizations, it should be the task of the nodal Ministry to take up the case with the Ministry of Finance.

Another crucial effect of the strangerly approach is the self-defeating clauses relating to fund transfers introduced by several Ministries. For instance, conditionalities such as the annual budget of the organization, stipulation of a bank guarantee for release of project funds etc, are often conditionalities which do not serve any meaningful purpose.

Recommendations of a nodal Ministry can be a meaningful mechanism of regulating fund utilization, without transferring the pains of regulation to the beneficiaries. This, by no means, is an easy task. However, the spirit of a meaningful public-private participation, demands the creation of meaningful mechanisms that really work for common benefit. The criteria for awarding a consultative status need to be rigorous. This rigour needs to be introduced on the basis of scientific yardsticks of measuring performance of organizations.

### **6.1. Accreditation**

Several studies, as also reports of expert committees, have highlighted the need for an accreditation mechanism for the voluntary sector. The report of the Steering Committee on voluntary sector for the Eleventh Five Year Plan also has highlighted the need for an accreditation mechanism, and has outlined the methodology in this context. The Steering Committee has favoured a mechanism on lines of the National Accreditation Council (NAC) applicable to Universities. While the spirit of having an accreditation body is generally agreeable, we do not agree with the methodology outlined by the Steering Committee.

Our disagreement with the Steering Committee is based on the following grounds: A voluntary organization is not and cannot be a substitute for the government. Therefore, giving it a special status is irrelevant both by logic and practice. The relevance of a voluntary organization, for the government, arises because of its expertise and skills which can be used for the welfare of the citizens. Therefore, the purpose of accreditation should be to create a platform for utilization of such expertise. This can best be achieved by allowing the organization concerned to make a self-statement of its own capabilities, which obviously, is verifiable by a competent authority. The task of accreditation methodology should be, to create such a competent authority, which is sub sectoral or even sectoral. For instance, a voluntary organization which claims itself to be having expertise in enterprise development, cannot be evaluated by a team consisting of, “.....academics of Schools of Social Work, leaders of the Voluntary Sector Networks, retired bureaucrats who have worked in NGOs, NGO leaders of repute, and Corporate Association Members.....” (Steering Committee Report, p. 6). This task has to be entrusted to a competent body, for which, both the VSI Division of Planning Commission as also the relevant Ministry should be taken into confidence. Therefore, it would be instructive to have Permanent Sectoral Accreditation Committees(SAC) under the Planning Commission, which can verify the statements made by the relevant voluntary organizations.

The Planning Commission has initiated a new programme of Voluntary Sector Partnership, and is moving towards the goal of having a uniform identification number for all these organizations. While this step is laudable, it is important to setup the sectoral accreditation committees at the earliest, from the point of view of scrutiny of registrations.

The logic of an accreditation system presupposes an official stamp to be given by the government, which facilitates the NGO to have particular visibility before law. However, visibility before law is, though a necessary condition, need not be a useful instrument for considering them as a developmental tool. Therefore, self regulation is the best method by which an NSA can ensure its visibility as a development actor.

### **6.2. Methodology Self Regulation**

Self regulation requires two major steps. On the one hand, the NSA should have a clearly distinguishable programme of its own. Besides, this programme should be relevant in a context of the overall development policy and programmes of the country. Seen from this angle, the self regulation method advocated by organizations such as the Credibility Alliance, offers only a limited scope. The challenge in this context is to relate credibility with the development challenges of the country. Perhaps, the NSA can have a completely different approach to the solutions offered by the state. However, on condition that the alternative solutions do not embarrass the state, they should be given full freedom to articulate their case in any manner deemed to be fit by the organization.

Allowing the organization to bring into the public domain, its programme and achievements, is the best method of self regulation. Two indicative tools in this regard are: 1) annual report with two parts, ie, the report proper, and a social responsibility Report; and 2) a web site, where such information should be linked with a national data base.

### 7.0. Monitoring System

The monitoring system available in the country is rather old fashioned, and deserve significant improvement. Where state funding through projects is involved, there is a tendency among the bureaucracy to presume misutilisation by the NSAs. From this angle, the NSA activity is often subject to micro monitoring. This is not likely to serve any meaningful purpose, nor is it necessary.

In the proposed new strategy, the focus should be on a monitoring mechanism which is **facilitating**, rather than **controlling**. The monitoring system should have a two-tier structure. The monitoring of Lead Organisations should be done by the Planning Commission. The task of monitoring Service Providers should be that of the State Planning Boards.

Every NGO should be linked to a nodal Ministry, from the point of view of their developmental role. For example, where livelihoods are the focal point of activity, the nodal Ministry should be MORD; where enterprise is the focal point, it should be the Ministry of MSME.

NSAs linked to each nodal Ministry should be divided into two categories:

- a) Lead Organizations, ie, the selected few having own programme .
- b) Service Providers: Those who are exclusively delivery agents of programmes.

A two-way definition, as above, is likely to be helpful in enhancing the visibility of the NSAs. It will also help the government agencies to clearly involve particular agencies in specific roles.

### 8.0. Creation of a Two- tier System and State Funding

NSA resource- base, and Mission mode interventions for capacity building, would also imply the creation of a cadre of specialized professionals who can handle challenging areas of development. In order to make such programmes meaningful and sustainable, the resource position of the NSAs has to be addressed first. We propose the introduction of state funding of NSAs on a case –to- case basis. This argument for state funding is nothing new. The SME Associations and Chambers of Commerce have already been funded by their respective Ministries. The state government also extends such support, though in a small way. These present initiatives can be reorganized on a more rational footing by providing a budgetary contribution to selected national level NSAs. This can also be examined in relation to such cases as, the public funding of political parties, which was introduced in the Union Budget 2009-2010.

The case for state funding of NSAs, is on lines with the latest thinking in this area. In many countries of Europe, state funding has been practiced in different forms, ranging from Programme Agreements to regular funding. In Netherlands, the leading international NGOs enjoy the benefit of budgetary allocations from the government. In many other countries, there are project based support of varying forms. The Canadian government has been reported to be offering three grant opportunities for NGOs operating in Russia. Canada has a Civil Society Fund which provides for NGO initiatives that support capacity building, networking, etc. The Finnish Ministry of Foreign Affairs offers two types of funding for NGOs. First, NGOs that promote goals that parallel the Finnish development policy, can apply for support through the Finnish International Non Governmental Fund. USAID offers support to Non American NGOs under its NGO strengthening programme.

One of the key purposes of state funding is to create a two tier system of NSAs. It is rather unjust and irrational to treat all NSAs on a single plane. Accreditation and monitoring, in a transparent and voluntary manner, should also provide opportunities for graduation and strengthening of organizations. State funding provides an opportunity for such graduation and also for instilling greater sense of responsibility to larger organizations that can work as a role models for other organizations.

The experience and lessons from the above sources need a close examination and review, before any initiatives in the area are thought of. The Planning Commission may initiate detailed studies on this subject.

### **9.0. Conclusion**

The discussion in this chapter leads us to the conclusion that a monitoring system for NSAs should be a well thought out step, taking into account the stage of development of economy, and its associated imperatives.



# 10

## Conclusions and Recommendations

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### 1.0. Introduction

The purpose of this chapter is two fold: First, it seeks to summarize the findings, as they emerge from the several methodological initiatives reported in Chapter II of this Report. . Secondly, these findings lead us to some policy directions, as also, concrete action points. These, of course, are meant for wider discussion and consideration by the Planning Commission.

### 2.0. The Terms of Reference

Before summarizing the findings of this study, it would be useful to recapitulate the objectives as we spelled out in chapter II. The central theme and concern of the study is to situate the functional and policy space of the voluntary sector, as defined by the NPVS, and to identify the opportunities of involving them as meaningful development actors , based on such understanding . As such, the specific objectives of the study are:

- 1) to *understand the system* of non state actors in the specific domain of enterprise development, and to identify their tiers, categories and sub-categories across the country;
- 2) to identify a set of *national collaborative programmes*, where the government and the non-state development actors can meaningfully collaborate;
- 3) to explore the opportunities of using a '*responsible business*' *framework and actors* for the achievement of the above goals;
- 4) to develop an appropriate methodology for *accreditation* of such organizations for the above purpose; and
- 5) to develop a *monitoring system* relevant to the context, as cited above.

### 3.0. Findings

The key findings, though not exclusively as per the chapter scheme of this report, can be summarized under the following heads:

#### 3.1. *Understanding the NSA System and its Structure*

- **International Paradigm Shift:** The international context of voluntary initiatives for enterprise development has changed significantly, from enterprise promotion *per se*, to making market systems work for the poor. This has significant implications for donor engagement of NSAs.
- **Scope of the Study:** This is the first study of its kind, which is based on the NPVS definition of the voluntary sector. Therefore, its scope and coverage are much greater, and goes much beyond the prevailing perception of government-NSA relationship.
- **Functional Approach:** The innovative methodology of this study makes possible a redefinition of the role of NSAs, in terms of their functional role. Six functional areas have been identified.
- Multilateral and bilateral agencies are involved mainly in five functional areas relating to enterprise development.
- **Size Distribution:** The three fold categorization of NSAs, make possible a more realistic understanding of the opportunities offered by this sector.

- **Growth Linkages:** The nature and extent of NSA penetration depends on the stage of industrial development of a state. There is significant unevenness among states regarding the size and type of NSA presence.
- **Geography of NSA Penetration:** The states of Andhra Pradesh, Maharashtra and Tamil Nadu have the greater concentration of NSAs. Bihar, Kerala and Madhya Pradesh are notably backward in this regard.
- Larger national organizations are located in New Delhi, Bangalore and Hyderabad ; the smaller ones are distributed throughout the country
- The presence of NSAs in the backward districts of the country are limited, though these districts offer substantial need and opportunities for their services.
- The smaller organizations are largely located in Northern India, whereas the larger ones in the South and the in the West.
- **Functional Hegemony:** NSAs generally are concentrated in microfinance and community development.
- **Growth Trend:** The voluntary sector, as it relates to enterprise development, has witnessed a significant broad -based growth during the past decade. It ranges from entrepreneurship education, to action at the field level. This diversity has not yet been properly examined and documented. Failure to define and examine the scope of each of these stages is a major constraint on evolving action strategies.
- **Recent Boom:** A booming of NSAs in enterprise development has happened since 2005, with both positive and negative consequences. There is a significant imbalance of various types and categories of enterprise development–related agencies. Such booming is more a quantitative, and much less, a qualitative phenomenon.
- **Lop-sided Growth of BDS:** Business development services has been internationally accepted as a vital link in enterprise development. However, only a very small number of sample units are found to be involved in any serious work in this area.
- **No Mechanism for identification of sub sectors:** Public policy today is neutral on analytical categories of NSA.The types and categories of NSAs need to be analysed for any meaningful engagement of these agencies.
- **Lower Social Status for Voluntary Initiatives:** Voluntary work in general, and activists in specific, do not get significant social status.This often leads to a blurring of voluntary work with political work.This,in fact,is a constraint on professionalism.
- **Potential yet to be utilized:** Unlike the estimates by various agencies a large number of NSAs are involved in enterprise development activities. But there is substantial latent potential to enhance their level of involvement.
- **Linkage Models:** There are three linkage models under which the NSAs work in India: a) Satellite Model; b) Stand-alone Model; and c) Autonomous Model. Scaling up is a key problem area for most agencies

### *3.2 Government-Voluntary Sector Collaboration: Capabilities and Opportunities*

- **State of Capabilities:** The role of NSAs vary from state to state, depending upon various objective and subjective factors. Therefore, capabilities also vary.
- **Models of NSA Intervention:** Five models of NSA intervention are observed at the national level: a) technology; b) finance; c) institution development; d) BDS; and e) entrepreneurship development.
- **Relevance of Donor Intervention:** According to the field indications, donor interventions at the grass root level have not helped the states in India significantly in terms of their

enterprise development initiatives. On the other hand, those donors who operate largely at the macro and policy levels have contributed more to qualitative changes. The lesson that emerges from this is that, given its stage of development, India needs much less of donor support for micro management of programmes. It is, state-of-the-art macro level interventions that can contribute more significantly to the needs of a growing economy.

- **Donors and Local Capacity Building:** While some donors prefer to work at the macro and policy levels, others are keen on confining their activities to focal states and regions. The time has come to examine closely as to how donor support has contributed to local capacity building, rather than the local institutions remaining aid -dependent for a long time.
- **Poor Utilisation of NSA Capabilities:** The potential of the non-governmental actors remain grossly underutilized. Generally, the government Departments consider the role of the voluntary sector as duplicative. Such feeling is based on their failure to conceptualise the relevant space, as also lack of tools and techniques to evaluate their performance. Naturally, the voluntary sector is often involved in government programmes, for the wrong reason and with doubtful results.
- **Invisibility Syndrome:** A serious crisis of confidence mars the opportunities of tapping the potential of the voluntary sector. This crisis relates to the invisibility of NSAs in the appropriate policy space.
- **Lack of a Professional Approach to Tapping NSA Capabilities:** Lack of a professional approach to define the role of the voluntary sector at the disaggregated functional areas of enterprise development, is a serious policy lapse.
- **Poor absorptive Capacity of Ministries:** While ‘NGO capacity building’ is a term which has been widely used, widening the absorptive capacity of the various disaggregated functional areas/sub sectors of enterprise development, itself is a key challenge. This demands enhancing the absorptive capacity of the various Ministries and departments themselves, which use the services of the voluntary sector.
- **Discriminatory Practices by the Government:** While the Competition Act, 2001, prohibits any form of discriminatory practices, the governmental agencies themselves do not offer a level playing ground for the civil society organizations on par with the rest of the private sector.
- **Cascading of NSAs in Backward Regions:** In many backward districts of the country, there has not been a favourable climate for the growth of small NSAs. There is a significant cascading of large national agencies and donors in these districts.
- **Resource Constraints and Lack of Focus:** There has been a significant frittering away of competencies of the NSAs due to their multiplicity of activities. This is essentially because of the resource constraint.
- **Constraints on Innovation:** While the NSAs can bring significant innovative ideas, such potential has not been perceived to be properly utilized. New ideas are not reported to be rewarded adequately.
- **Wrong Perceptions on Economic Programmes:** Most civil society organizations do not consider economic programmes as an area of sustainable activity.
- **Impacts and Opportunities:** The NSAs offer three types of impacts and opportunities: a) sub sectoral; b) cross sectoral; and c) individual.
- **New Areas and Roles:** The NSAs are capable of articulating and addressing new and emerging issues in the economy (Eg: labour shortage, skill gap). However, they need to be involved and oriented on those lines.

- Significant non-banking intermediation, and lower priority given for entrepreneurship education, are two key problems faced in an enterprise development agenda. The incidence of these two types of interventions, on the overall state of enterprise and entrepreneurship development, needs close examination.
- **Need for a Process Approach:** NSA capabilities need to be accessed on a process approach. This increased need has to be highlighted.
- **Critical Areas of Partnership:** This study has identified ten critical areas of potential Government-NSA partnership.
- The liberalization era has not been successful in using the NSAs effectively, though there is a great need. There are several ongoing schemes of the Government of India in which they can be productively involved.
- There are also ten critical areas in which the NSAs can bring in innovative ideas, and offer opportunities of partnership.
- **Government Control:** Historically, public policy has not clearly defined the role of NSAs. Enterprise development policies so far formed the exclusive area of the government
- **Booming vs. Neglect:** Since 1970s, NSAs have largely confined to two policy spaces: a) Entrepreneurship development; and b) Rural development Programmes. Other virgin areas remain rather neglected.
- **Resource -Base and Capacity Building:** Resource base is the major constraint on capacity building. Therefore, the orientation and present resource base should be supplemented, before any capacity building effort is initiated.

### 3.3. NSAs in the Context of Private Sector Development

- **Vague Donor Policy:** The donor policy is generally found to be vague and ambivalent. By intent or of helplessness, much money has been flowing into a few of the sectors in a duplicative manner. The voluntary sector also is comfortable with accepting such funds.
- **Overplay of Livelihood Focus:** While livelihoods and enterprise are part of a continuum, the microfinance agenda at the international level has resulted in an overplay of livelihood activities, as against initiatives that promote entrepreneurship. This has resulted in a booming of micro finance as a safe haven for many NGOs, to the neglect of many other vital business services.
- **Enterprise Development- an insignificant area of CSR:** Even the public sector banks that are committed to enterprise development do not play a meaningful role in involving the NSAs and enhancing their capacity..
- **Limited International Exposure:** International exposure of most NSAs, despite the significant flow of funds into this sector, is limited.
- **Limited Corporate Sector Engagement:** The corporate sector engagement of voluntary organizations is limited. The key agents are the banks. Apart from microfinance, other innovative areas which form the compass of development banks, have deteriorated during the last about a decade.
- IT and IT- related companies are new players engaging NSAs . However ,they do not go deep into the spirit of voluntarism
- **CSR Models:** The study identifies four models of CSR: a) outsourcing opportunities; b) social infrastructure; c) dovetailing of programs; and d) formalizing partnership with public programmes.

- **Neglect of CSR as an Opportunity by NGOs:** While there are a few excellent CSR success stories in the enterprise area, enterprise development as an avenue of CSR has not found favour with many NGOs.
- **Role of Social Enterprises:** Social enterprise is one area of private sector development, where there are many stories of NGO involvement and best practices.
- **Significant Potential of Public Financial Institutions:** Public financial institutions offer a significant potential area for active CSR strategies

#### 3.4. Accreditation and Development of Systems and Procedures

- **Accreditation:** Most NSAs did not welcome any official accreditation mechanism because, they felt that accreditation means more commitments than benefits. Internal monitoring system also was found to be absent in most cases.
- Most of the SME associations did not have reservations on accreditation by government. But the NGOs generally did not highlight the need for such accreditation.
- **Wrong Criteria of Accreditation:** While the strength and potential contribution of a voluntary agency depends upon both its resource-base and knowledge base, the focus of most accreditation initiatives is on the resource-base only. Naturally, an organization with a greater budget is rated as a strong agency, as against one with smaller resources. A more pro active approach, focused on knowledge base, need to be initiated.
- We do not agree with the methodology of accreditation advocated by the Steering Committee on Voluntary Sector for the Eleventh Five Year Plan.
- **Piecemeal Policy Approach:** Voluntary sector has a strong economic role. Its role, in the context of enterprise development, should be defined in terms of the wider context of private sector's role in the economy.
- **Poor Reporting within the Government:** Lack of reporting within the government, on the role of the voluntary sector today, is a serious constraint. This makes the work of the Planning Commission extremely difficult.
- **Victim of Departmentalism:** While the NSAs, in many cases, do meaningful work, it is departmentalism within government that mars utilization of their capabilities properly.
- **Poor Statistical Base:** While the contribution of the voluntary sector has been estimated under the UNDP-CSO project, Department-wise estimation of their contribution is not known.

#### 3.5 Administrative Mechanisms and Monitoring.

- **Conceptual issues:** The term "monitoring" is not felt to be in tune with the spirit of partnership, as envisaged by the NPVS.
- **Resource Constraint and Monitoring:** A significant mismatch between resource endowments and programme is an important problem, felt to be addressed through policy action. Organisations having a strong programme were found to be not endowed with corresponding resource endowments to implement such programme. Monitoring should take this into account.
- **Anomalies with the Tax Regime:** The most contentious issue, and a matter of serious concern, as expressed by most respondents, is the proposal to withdraw exemptions to charitable institutions. Presently, not-for-profit organisations (NPOs) enjoy exemption on their donations as well as any surplus they create under Sections 80-G or 35 (1)(3) of the Income Tax Act. The draft code proposed to exempt donations, but tax any surplus generated at 15 per cent. While many might have misused the provisions, it would be improper to deny the benefit to genuine charitable institutions, research organisations and other NPOs which do considerable philanthropic work and further the cause of education, health and research. The draft code did not seem to recognize the good work done by these institutions. In the case of research institutions, it should be easy to identify the genuine ones

as most of them depend upon government support and any surplus generated would only reduce the government's burden in the long term. Though some of these recommendations were reverted through the latest Union Budget, a more realistic action is vital.

The provisions of the Income Tax Act do not provide signals to domestic donors on the basis of an informed assessment of the need for tax exemptions. While the procedures for getting tax exemptions are cumbersome, many well meaning NGOs get dissuaded for making such attempts.

- **Hostile Regulatory Regime:** while regulation of the NSAs is important from the point of view of maintaining certain standards, the present system of regulation is felt to be without commitments.
- **Crisis of Confidence:** There is a crisis of confidence, as perceived by NSAs in dealing with the government.
- **Self-regulation.:** Most respondents favoured self-statements, if at all that is needed. However, it is crucial to develop the modalities of such a system.
- **Poor Cooperation from Ministries:** Though the NGO involvement and partnership are strongly advocated by the Planning Commission, the Ministries, especially the economic ministries, seem to have reservations in this regard. This constraints any self monitoring system.
- **Funding first:** Thos respondents who
- were positive on some monitoring mechanism, felt that the question of resources has to be solved first.
- **New Role for Planning Commission:** Most respondents felt that, the Planning Commission must play a more constructive role in the dealings with the NGOs.

#### 4.0. Imperatives and Recommendations

The present global economic slow down and its fall-outs on the Indian economy provide an opportunity and rationale for demystifying the policy and strategy ambivalence in this area. It is time for a serious discussion on the employment generating impacts of the voluntary sector initiatives. Micro finance could be the first sector; the livelihoods impact of the MF movement over the last about a decade should be assessed immediately. This is necessary for having a real understanding of the impact/percolation effect of the crisis mitigation and anti-inflationary packages announced by the Government of India and the RBI.

##### 4.1 The Imperatives

The emerging imperatives can be summarized into one key area: professionalisation of voluntary initiatives. While such a single-point initiative sounds important and feasible, the constraints are, by no means, small. A crucial question relates to who should act, and where. Being a state subject under the Constitution, the initiatives have to happen at the level of the state governments. For the state governments, beyond being a politically sound and convincing policy option, the record of practice so far is too weak. The state governments often view enterprise development from two major angles: a) training interventions; and b) financial incentives. Both these steps, by themselves, cannot ensure the vital linkages in the process of enterprise development.

In addition to this, a review of the state level Five-Year Plans show a relatively small allocation of funds for the VSI sector. This can further be explained in terms of the significantly small own-allocations by state governments in the Plan for VSI, and the excessive dependence on centrally sponsored schemes.

The crux of the matter is that, from the point of view of development imperatives, the issue need to be handled by the Finance Commission itself. The Finance Commission, so far, including the 13<sup>th</sup> Finance Commission, have confined to their basic concern of devolution of finances between the Centre and the states simply on the basis of conventional resource sharing formula (Gadgil Formula), and have not bothered to look into the modalities by which the states attempt to achieve economic growth. It is recommended that the Finance Commissions, hereafter, should look into these state-level methodologies of livelihood and enterprise promotion, and should come out with specific recommendations. This is likely to be a positive approach, atleast to some extent, in resolving the contradictory positions between the Centre and the States regarding resource sharing.

## 4.2 Recommendations

### 4.2.1. Immediate Action Points

Following the above findings of the study, it is feasible to propose the following concrete steps:

- **Mainstreaming Entrepreneurship Education**

Though a fast growing economy, India has not yet launched strategies at start-up business promotion on par with internationally accepted tools and techniques. Entrepreneurship education, including a streamlined management education and associated research, is still foreign to the Indian context. The university system in the country has not yet owned entrepreneurship education as a worthwhile area of intervention. Rather, the curriculum remains still oriented to the context of the corporate sector.

Moreover, public resources on start -up, and entrepreneurship promotion in general, have been practically wasted on initiatives that are duplicative, or working at cross-purposes. Streamlining entrepreneurship education, involving the UGC, AICTE, and relevant Ministries/Departments such as, NSTEDB and Ministry of MSME, is crucial.

- **Resource Centres**

Resource centers are a vital corollary of entrepreneurship education in a growing economy. However, India's record in this area is far from satisfactory. The relatively weak nodal Ministry has not been able to mobilize such resources through institutions under its own control. On the other hand, the role of the private sector also, given the overall track of enterprise promotion in the country, is rather dismal. Herein lies the need for a serious public-private partnership initiative. Harnessing the resources and capabilities of the limited number of national and regional level enterprise promotion agencies and institutions, should be the starting point in this regard.

- **Business Development Services**

With the setting up of the Donor Committee on Enterprise Development as also with the growth of the micro finance movement, Business Development Services (BDS) has emerged as a significant area of international attention. This new development matters to India at two levels:

First, the country's own need for having organizational reforms relating to enterprise development. Secondly, a multi-million market for 'real services' is awaiting, especially with the context of the micro finance boom, mostly from other developed countries of Africa and Asia. India need to think of meeting this surge in demand, just like the opportunities that were thrown up by the IT sector during the last one decade. Similar opportunities have also been opened up through the India-ASEAN FTA. The new opportunity obviously should be understood in the context of anti-recessionary policies that countries would be universally forced to initiate at least for the next one or two years.

- **A Civil Society Division in the Planning Commission**

While the Planning Commission is the nodal agency for the voluntary sector in the Indian government, it does not have appropriate infrastructure for implementation of the NPVS. The immediate imperative is the setting up of a full-fledged Civil Society Division, with two separate Cells under it: a) Knowledge Cell; and b) Plan Co ordination Cell. The Plan Co ordination Cell should have the responsibility of co ordinating the data system for Plan purposes.

- **Sectoral Accreditation Committees**

Blanket accreditation systems, of the NAC type, are not relevant in the context of the voluntary sector. We ,therefore, recommend setting up of a permanent Sectoral Accreditation Committee for each broad sector of the economy. This should be an expert committee, making recommendations to the Planning Commission from time to time. The Committee should preferably meet atleast on a quarterly basis.

Enterprise development is a critical area where, the capabilities of competent NSAs should be pooled along with the government's efforts. This demands the setting up of a high- power consultative forum of a permanent nature: Sectoral Accreditation Committee. This Committee should function as part of the VSI Division of the Planning Commission. The members of thus Committee can be selected on a rotation basis, like the Standing Advisory Committee on SME Finance at the RBI.

The innovativeness of the present research, in essence, lies in bringing in two key dimensions: 1) a new way of looking at NSAs; and 2) introduction of a new dimension to enterprise development strategies. While the present study makes an attempt within the purview of its terms of reference, there is need for much in-depth studies.

- ***Task Force on NSA Resource Base***

Planning Commission should set up a Task Force ,which should throughly review the resource base of the NSAs.It should also review the implications of the Direct Taxes Code on these agencies.

- ***A National Enterprise Mission***

As noted in chapter 4, there is need for addressing the question of NSA capabilities in a scientific manner. The core of such a scientific approach, is to start from an enquiry into the very purpose of NSA capacity building. There is a derived demand for such capabilities. It derives from the need for fulfilling specific tasks in specific functional areas, as outlined in various chapters of this report. Concepts such as 'livelihood promotion' and 'enterprise development' do not convey much meaning unless they are explained in terms of specific activities. Attending these specific activities requires ***specific capabilities***, and this should be the purpose of NSA capacity building. It is this rationale that brings us the need for a Mission mode intervention.

The country has a large number of problems for enterprise development and livelihood promotion being organized by various Ministries and the private sector. Irrespective of who organizes them, there is a requirement of some vital capabilities which is rather in short supply now. Initiatives, such as that of Indian School of Micro Finance, and the Livelihood School, as also the Entrepreneurship Development Institutes, though relevant, do not satisfy the emerging need fully. Rationalizing such initiatives, and building upon them, requires a coordination mechanism by the government. There lies the need for a National Enterprise Mission. To be set up as an independent body, this Mission can provide a common platform for all the Ministries to draw upon. The State governments also should think of setting up such a Mission.

- ***Monitoring System***

A two- tier monitoring system is recommended. The larger lead organisations (LOs) should be monitored by the Planning Commission, and the smaller service providers (SPs) should be taken care of by the State Planning Boards. These two agencies, apart from making use of their own available database, as also from the proposed Office of the Registrar of Non State Actors, can conduct periodic studies and assessments.

- ***State Funding***

NSA resource base, and Mission mode interventions for capacity building of NSAs ,would also imply the creation of a cadre of specialized professionals who can handle challenging areas of development. In order to make such a programmes meaningful and sustainable, the resource position of the NSAs has to be addressed first. We propose the introduction of state funding of NSAs on a case- to- case basis. This argument for state funding is nothing new. The SME Associations and Chambers of Commerce have already been funded by their respective Ministries. The state government also extends such support, though in a small way. These present initiatives can be reorganized on a more rational footing by providing a budgetary contribution to selected national level NSAs. This can also be examined on lines of the proposal for public funding of political parties, which was introduced in the Union Budget 2009-2010.

- ***Involvement of State Governments***

Since the NSAs largely work at the grass root level, the active cooperation of the state governments is necessary to make NPVS meaningful. The state governments should be encouraged to come out with a Policy Statement on voluntary sector. Besides, the State Planning Boards should be encouraged to maintain a database on the sector under a national framework.

- ***Public-Private Business Links***

NGOs engaged with the corporate sector should be given a special status, which we may name as, ***Public-Private Business Links***, and should be eligible for full exemption from the income tax. Such a step is likely to meet the twin purpose of enterprise promotion and right channelising of capabilities. Two of the vital areas need further studies: First, donor perspectives on enterprise development as a key area, with special reference to forward states of the country, is crucial. Donors suddenly backing out from the so-called "rich states" will have negative consequences on the development front. An offsetting mechanism, at the instance of the government or the corporate sector, has to replace it, in order to ensure continuity of the process. Second, streamlining the data base of the NGO sector is a must, as initiatives in the past have not been very successful.

- ***Registration System***

In a democratic society, ***social visibility*** is the touchstone of ***sustainability***. The primary imperative of NSAs is a head-count mechanism. Defined as Civil Society Actors (CSAs), rather than as voluntary agencies, we recommend a Primary Registry for them. The Office of the Registrar of Civil Society Actors (RCSA) should act as the focal point of such a head-count. But, this Registry should work as a Centre-State mechanism, involving the Planning Commission, State Planning Boards and the Ministries, having their respective responsibilities and roles.

- ***Two-Tier Categorization***

A two-tier categorization of CSAs is central to the new accreditation system envisaged: 1) lead organizations; and 2) service providers. This two-fold categorization, in effect, would mean that organizations of the traditional mould (service providers) get visibility through their linkage with the State government, and dynamic organizations having significant development contribution, get their due attention in the process of planning and programme implementation.

- ***Consultative Status for NSAs***

Providing a Consultative Status to relevant CSAs can be a significant step forward in boosting their morale. The present Committee system within the Government should accordingly be recasted. The Standing Advisory Committee of the Reserve Bank of India, is a model worth examination.

- ***Tripartite Mechanism for Accreditation***

We advocate setting up of a tripartite mechanism for monitoring and accreditation. The introduction of a registration mechanism under the proposed ***Office of the Registrar of NSAs*** would imply a basic framework for a head-count. This headcount should facilitate the relevant Ministries to focus on identifying the capabilities of individual NSAs, and to involve them in public programmes.

#### ***4.2.2 Other Points***

- Having a large number of NSAs will not help any meaningful purpose. What is needed is ***specialisation*** and a mechanism to tap such specialised capabilities.
- Business Development Services, which is an area having significant potential for boosting entrepreneurial ripples, remain to be a badly neglected area. There are only a very few number of agencies involved in key areas such as mentoring, entrepreneurship training, documentation, research and strategic BDS in general. The main reason for this is the poor development of BDS market in the country. NSAs belong to various backgrounds and orientation, such as technology, finance, research etc, a synergy of which provides the necessary ingredients for the development of a BDS market.

The need for the scientific development of BDS has not been properly articulated in the Indian context. The constraints of public policy which restricts the voluntary sector, need to be identified. The potential of the NSAs in public-private partnership framework need to be clearly spelt out.

- The present practice of stamping every non-governmental entity as a single operational category, need important changes. Our detailed analysis of the field data offers professionalisation as the answer. A professional approach requires looking at the voluntary sector in terms of the wider agenda of economic development in the country, rather than as an agenda specific to "voluntary sector development" *per se*. The concept of PPP should be redefined, in order to meaningfully accommodate the NSAs.
- Setting up of 'Public-Private Partnership Cells' within each Ministry could serve some meaningful purpose. This would help to co ordinate and integrate the rich work being done by good voluntary organizations, as also to tap their innovative ideas into the sphere of programme implementation.
- It is the line-Departments and Ministries, and the concerned international/inter-governmental agencies outside the government, which can better assess the capabilities and potential contribution of a voluntary agency. The Ministries, however, often have a limited scheme-based approach, rather than an overall developmental approach. Here comes the significant role of the Planning Commission.
- Each Ministry should come out with a White Paper on their Programme and Action Plan, where the role of the voluntary sector need to be spelt out. Perhaps introduction of a common reporting system for all Ministries and Departments may serve some purpose. But, the ultimate solution lies in each Ministry /Department having a voluntary sector policy, and associated documentation. This could be the basis for implementing the NPVS on a solid footing.
- It is recommended that the Competition Law is strictly enforced and the NSAs are given an equal status with other agencies in the delivery of government contracts, as also participation in official forums. NSAs, irrespective of their other constraints, are a rich source of expertise and ideas. However, discriminatory practices within the government often curtail such information flows. For instance, several NSAs undertake highly relevant research work, the fruits of which are not properly disseminated. Even while the services of experts are freely available, they are not properly tapped by the government Departments. These developments are, however, not in tune with the spirit of the Competition Law in the Country. The Competition Commission should take a close look at these issues.
- High quality data on the voluntary sector should be collected periodically. Since Government programmes take place at the Ministry/Department level, such data would be highly useful.
- The ten critical areas of NSA-Government partnership should be followed up by the VSI Division of the Planning Commission.
- An International Cooperation Scheme, involving NSAs should be started by all the relevant Ministries. The Scheme of international Co operation of the Ministry of MSME should be reoriented accordingly. This is necessary for enhancing the learning part of donor funding, as also for enhancing south-south cooperation. The North -South NGO interaction provides an ideal ground for this.
- We recommend revising the guidelines of the several public programmes involving NSAs, as outlined elsewhere in this report. In this context, we also recommend three new Schemes to be taken up immediately: 1) Livelihoods Management Scheme; 2) An Enterprise Academy and 3) Programme Evaluation Course for NSAs. Ministry of MSME may consider initiating these schemes.

## 5.0. Conclusion

Beyond too generalistic statements, both the government and the corporate sector should find a *business case* in working with the NSAs. Making this business case clear to everybody, is the first step towards professionalisation of NSAs. Unless the NSAs are professionalised, and involved into the development agenda of the country in meaningful terms, PPP will remain more conceptual than operational. The conclusions of this study, by no means, indicate the final word. Public policy should emerge out of high level consultations among various stake holders. It is, therefore, advisable to set up a Task Force on Voluntary Sector at the Prime Minister's Office, in order to have high level consultations that lead to immediate action.

## CASE STUDIES

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### I. JAPAN INTERNATIONAL CO OPERATION AGENCY (JICA)

Japan's ODA to India first started in 1958, when a concessionary Japanese ODA Loan of JPY 18 billion was extended to supplement the efforts of implementing the Second Five Year Plan at the request of the then Prime Minister, Jawaharlal Nehru. A part of the proceeds of the first ODA Loan was used for power generation in Bhakra Nangal project and Hirakud Hydroelectric project. Assistance to industrial development followed thereafter, and in the 1990s, assistance was extended to infrastructure development projects like improvement of National highways and construction of Anpara Thermal Power Plant. In the last two decades, more ODA Loans have been committed for water supply and sewerage, forestry and irrigation projects to accelerate poverty reduction as well as to address environmental problems in India.

JICA has extended a Line of Credit to Small Industries Development Bank of India (SIDBI) for financing Energy Saving projects in MSMEs Sector. The project is expected to encourage MSME units to undertake energy saving investments in plant & machinery/production process to reduce energy consumption, enhance energy efficiency, reduce CO2 emissions and improve the profitability in the long run.

The financial assistance to MSMEs are through SIDBI, as well as through refinance to banks/State Finance Corporations (SFCs) and Non Banking Financial Companies (NBFCs). Under the line, technical assistance is also provided to financial institutions and MSME units for dissemination of information and successful implementation of Energy Saving Projects.

Unlike other donor organisations, JICA's intervention in the development sector of India is unique. JICA facilitates development networking through promotion of partnerships between Indian and Japanese NGOs.

### II. INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

The International Development Research Centre (IDRC) is a Crown corporation created by the Parliament of Canada in 1970 to help developing countries use science and technology to find practical, long-term solutions to the social, economic, and environmental problems they face. Our support is directed toward creating a local research community whose work will build healthier, more equitable, and more prosperous societies.

IDRC is guided by a 21-member, international Board of Governors and reports to the Canadian Parliament through the Minister of Foreign Affairs. Approximately 83% of IDRC's 2008/2009 revenues came from Parliament. This year, the Centre's Parliamentary revenues were CA\$168.8 million. This represents 3.9% of Canada's international assistance.

IDRC's mission is "empowerment through knowledge". It funds applied research by researchers in developing countries on the problems they identify as crucial to their communities. Most supported projects result from direct exchanges between the Centre and developing-country institutions. It provides expert advice to those researchers. It builds local capacity in developing countries to undertake research and innovate.

The Centre supports research under four broad themes:

- 1)Environment and Natural Resource Management (ENRM);
- 2)Information and Communication Technologies for Development (ICT4D);
- 3)Innovation, Policy and Science (IPS); and
- 4)Social and Economic Policy (SEE).

IDRC's research focus is on issues public policy. More recently, it has initiated a programme of promotion of policy research under its 'Think Tank Initiative'.

The track of IDRC research under its South Asia Programme indicates several studies on the voluntary sector, livelihoods, and issues of development networking.

### III. SWISS AGENCY FOR DEVELOPMENT AND CO OPERATION

SDC's partnership with India's development agenda, started in 1963, has developed into a diverse set of engagements covering natural resource management, rural finance and livelihoods, decentralisation of power, empowerment of the discriminated, environment and pollution, humanitarian assistance as well as the human and institutional development of the development sector.

SDC partners include civil society organisations, public sector entities, Government departments, research bodies, advocacy groups, professional associations and other development actors. It works in India with the central focus on poverty reduction. Geographically, its cooperation programme has been concentrated on semi-arid regions of the central Deccan plateau (Karnataka, Andhra Pradesh, and Maharashtra) as well as on Kerala, Rajasthan, Orissa, Sikkim and Gujarat.

SDC's programmes have contributed to people's empowerment and poverty reduction by focusing on three productivity enhancing themes: retention and sustainable use of water, rural energy and housing, rural finance and employment creation. In addition, SDC has supported Indian organisations in the fight for inclusion and social justice and in the promotion of the decentralisation process.

This donor has been cooperating in these fields with a variety of partners, notably community based organizations, non governmental organizations, research and education institutions, central, state and local government. In addition to SDC, other arms of the government of Switzerland, namely the State Secretariat for Economic Affairs (SECO) and the State Secretariat for Education and Research (SER), support economic and research programs in India. A number of Swiss non-governmental organizations, some of them benefiting from SDC support, also have a longstanding involvement in India.

Over the past years, SDC has supported the development of SMEs in India by providing funds for refinance for on-lending, and for experiments to promote SMEs to the NABARD and the SIDBI. The overall objective of this programme was to contribute to create sustainable employment in SMEs located in rural and semi urban areas as well as small towns.

At the end of 1994, a national study on "Rural Non Farm Sector" (RNFS) was carried out and completed; the same was conducted in 8 states as well. The nine RNFS reports identify emerging and growing sub-sectors, dynamic institutions supporting SME growth, including in some cases Industry Associations (IAs) and SME clusters. The RNFS study constitutes now for SDC a reference to be taken into account in the preparation process of any new cooperation programme to be undertaken in the 4-5 coming years.

Moreover, in the frame of the first phase of the SIDBI-SDC cooperation programme which started in 1993, one of the interesting experiments involves Industry Associations (IAs) located in clusters and willing to upgrade their technology. A national assessment of IAs was undertaken from the point of view of development of a bilateral programme.

In addition to its programme in the SME sector, SDC is also supporting Human and Institutional Development (HID), sericulture and energy savings programmes and is keen to enhance the synergies between those spheres of activities and the SMEs.

In the SDC collective experience in the SME support and study programmes, where partnerships currently exist with apex institutions (i.e. SIDBI and NABARD) and in the context of economic reforms and liberalization, there is a need and an opportunity to promote more effectively SMEs through meso-level organizations which are more representative of the SMEs

Consequently, SDC has decided, as part of its support strategy aimed at overcoming the problems of isolation of SMEs, to support in principle a programme aimed at strengthening the HID process and operations of IAs to enable them to better develop the SMEs they represent. In this respect, SDC has decided to design this future programme eyeing on the information and recommendations of a situational analysis of selected IAs.

Traditional forms of development cooperation are losing their relevance and political support in India. The financial resources and the human capacities to address the challenge of poverty have grown and the significance of development cooperation for the country has reduced. Taking into account all these changes, Switzerland wants to capitalize and to valorise the development investment made over the past decades with India. Therefore, SDC has decided to reduce and to reorient its current development cooperation programme into a new type of collaboration called “Partnership Programme” by 2010.

SDC decided to engage into a new type of collaboration with India in 2006. The new Programme involves a shift from traditional/classical development cooperation, towards a collaboration based on common interests and shared investments, with the ultimate aim of reducing poverty. A key feature of this Programme is the exchange of know how and technologies between Switzerland and India and the promotion of South-South cooperation.

Between 2007 and 2010, the SDC activities in India will shift from the current programmes to the future “Partnership Programme”. During this period, a transition plan will pave the way of these changes.

The Transition Plan is composed of :

- 1) Gradual reduction and phasing over/reorientation of current projects and programmes;
- 2) Capitalisation and dissemination of lessons learnt in key areas; and
- 3) Phasing in of new interventions under the new Partnership Programme.

Almost all the current ongoing projects will be completed by the end of 2009. During the remaining period of cooperation in the projects’ final phases, efforts will focus on achieving key objectives, enhancing sustainability of important results and processes and on further strengthening partner organisations, where needed.

This Partnership Program involves a shift from traditional/classical development cooperation, towards a collaboration based on common interests, on joint ventures and shared investments, with the ultimate aim of reducing poverty. A key feature of this Program is the exchange of know how and technologies between Switzerland and India and the promotion of south-south cooperation.

Under the Partnership Program, the following areas of cooperation have been identified:

- Energy and climate with a focus on adaptation to climate change, energy efficiency and clean environment. Partnerships in science and technology linked to these fields will also be developed and strengthened.
- Governance with specific focus on accountability, gender equality and inclusion.
- Knowledge management and south-south cooperation to promote and facilitate the generation, access, and exchange of knowledge among development partners in India and beyond, at the regional and international levels.
- Humanitarian aid with a focus on disaster preparedness and prevention.

To achieve its goals, SDC focuses on strengthening the capabilities and rights of disadvantaged population groups and on improving their income and work situation.

SDC is involved in the following areas:

**Humanitarian Assistance:** India is highly prone to natural disasters. The high incidence of poverty implies that a significant part of the population is extremely vulnerable to any abrupt change in their environment.

In Orissa, Gujarat and Tamil Nadu, SDC worked mainly through its development civil society organisations, but in close coordination with the Government, UN organisations and other networks at the State and local level.

**Environment, Energy and Rural Housing:** In developing this programme, SDC and its partners took into account the changing development sector dynamic brought about by economic liberalisation, the participation of the Indian government in various international environmental protocols and stricter enforcement of environmental regulations and conditions of the workers and their families.

Procedures and strategies in different projects were influenced by various factors, including new realities of development cooperation, SDC's Country Programme in India, Govt of India's policies on external assistance, changes in the local setting, the ability of Indian partners to lead projects themselves, and the realities of their everyday lives. The three most important general approaches in the different projects were innovative collaboration frames for benchmarking of technology packages, risk-taking by expanding the scope as the projects were being mainstreamed and planned withdrawal.

**Rural Finance & Employment:** SDC has been involved in Rural Finance and Employment activities for almost 30 years in India and is in the process of consolidating its successful activities in this sector. Easy availability of credit and other financial products remains essential for the poor to sustain their agriculture, increase productivity and for generation of employment in rural areas. SDC partners with para-Statal and private organizations to innovate, develop and extend financial services to the poorest.

Despite the presence of an impressive network of 150'000 banking outlets, 35% of the demand for credit is still outside the formal banking structure and met by the informal sector. Most poor people still have no access to banks. Individual moneylenders are known to charge exploitative interest rates on credit.

The lack of access to appropriate financial and insurance services further aggravates the situation and risk exposure of landless and marginalized groups, who do not have a regular income. They cannot save safely and cannot access credit at a reasonable rate. Falling sick, suffering an accident or not finding employment for some weeks is often a matter of life and death for poor people. Their last option is a moneylender, who may very well put them in bonded labour.

Providing access to financial services like savings, insurance, credit, money transfer, etc. is vital as a safety net for the poor as well as providing them the means to unlock the productivity of their land and labour.

A large network of institutions aiming at the promotion of employment and entrepreneurship exists. Their record, however, is mixed.

Finance through public-sector banks to Self Help Groups has generated self-employment and reduced vulnerability, but hardly permits graduation out of poverty due to lack of opportunities and support to emerging entrepreneurs.

Medium and large industries tend to settle in or around urban centres, and draw manpower that migrates from the rural areas. In the latter, savings collected by the formal banking system are channeled to the cities, whereas remote zones are left to themselves and become economic deserts.

SDC has had longstanding relationships with para-Statal organisations like the National Agricultural Bank (NABARD) and the Small Industries Bank (SIDBI) and has established fruitful collaborations with selected organisations that have developed and are testing alternative modes of promoting income for the poor.

SDC promotes:

- innovation in financial services and products for the rural poor
- synergies, collaborations and networks between actors in the rural finance sector, with a view to generate employment for the poor
- initiatives which demonstrate that the poor are bankable and promote alternative and flexible finance delivery systems
- cluster-focused enterprise and employment development interventions

**Decentralisation:** Strengthening local government institutions is the bedrock of empowerment at the grassroots level. SDC partners with State level training institutions and national level civil society organisations to empower the Panchayati Raj institutions (locally elected bodies in the rural areas). SDC continues to partner with the Government of Sikkim on strengthening institutions and processes promoting decentralization in the state.

The focus of programmes and partnerships that SDC supports for strengthening the Panchayati Raj system include:

- capacity building of the elected representatives
- advocacy and lobbying efforts by civil society to identify anomalies and speed the devolution process
- strengthening initiatives of the state government aimed at empowering the Ward Sabhas, Gram Sabhas and Gram Panchayats
- supporting thematic knowledge creation and management at the regional level
- strengthening the leadership of the marginalized – dalits, women and tribals so as to ensure that concerns of the vulnerable and marginalized groups are at the core of the agenda of these local self-governance units.

### ***Inclusion and Social Justice:***

Concretely, SDC is supporting organisations working for the respect and the promotion of the rights of discriminated groups, i.e. access to water and sanitation, access to education, to finance, promotion of women's rights, promotion of the right to information, empowerment of minority groups, etc.

SDC is working with partners who are anchored in the field reality but also able to engage with the public authorities at the local and/or national level to improve policy development and implementation. SDC strategy is, on one side, to empower marginalised / discriminated groups and livelihood promotion, and on the other side, to influence policy making and to strengthen capacities by working with the legal and law-enforcement systems (training of lawyers, police reform, improving the implementation of government schemes, etc.).

SDC also works to ensure that the interest of excluded/ marginalised groups are represented in its “sectoral projects” – for example water policies, micro-finance, rural energy, decentralisation and through advocacy and lobbying.

SDC has been cooperating in these fields with a variety of partners, notably community based organizations, non governmental organizations, research and education institutions, central, state and local government.

In addition to SDC, other arms of the government of Switzerland, namely the State Secretariat for Economic Affairs (SECO) and the State Secretariat for Education and Research (SER), support economic and research programs in India. A number of Swiss non-governmental organizations, some of them benefiting from SDC support, also have a longstanding involvement in India.

## IV. GTZ INDIA

GTZ has been active in India on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) for the last 50 years. The following are the priority areas for cooperation for GTZ with India:

***Sustainable Economic Development*** : Sustainable economic development measures concentrate on supporting reforms in the finance sector and promoting small and medium-sized enterprises, vocational training and regional economic development.

Micro-credit and rural credit programmes are strengthened for their direct impact on the poor and on disadvantaged groups. Support for reforms in the field of cooperative banking and construction financing will also be stepped up.

Over the last 20 years, Indo-German cooperation in the field of vocational training has produced a number of professional vocational training and service institutions. The transfer of modern technologies is the key to establishing competitiveness, promoting growth and creating more jobs. These training institutions are being networked in order to ensure that the resulting know-how will continue to be used and disseminated.

Particular emphasis is given to market-oriented approaches towards promoting the informal sector, a source of employment and livelihood for more than 90 percent of India's working population.

The existing and planned project for Social Security in the informal sector focuses on the financial security of the employees and their families.

A diversified vocational training system would support the goal of the Indian Government to better integrate the marginalised groups in the process of economic growth.

***Energy*** : The reform of the electricity sector and the efficient use of fossil and renewable energy sources by the population are central to German Development Cooperation with India. India's electricity sector has considerable capacity shortfalls, which impact negatively on the supply quality, the infrastructure and the financial situation in the sector. These problems, coupled with state interventions, are the main reasons for the financial difficulties facing the public electricity utilities and their successor organisations.

The electricity sector thus is a major inhibiting factor to India's economic growth. In addition, inefficiency and the high proportion of fossil fuel power generation (especially coal) greatly contribute to environmental pollution.

Support for the electricity sector is intended to help improve the supply of electricity to industry, trade, the service sector and agricultural enterprises. In concrete terms, this means helping to accelerate the implementation of reforms already under way in the electricity sector, improving energy efficiency and making greater use of renewable energies.

Due to the high levels of investment required, German Development Cooperation activities in the energy sector are addressing the following areas:

- provision of additional energy, generated efficiently and in an environmentally sound manner, and its productive use in order to generate economic growth and more employment
- promotion of projects to consistently exploit efficiency-enhancing and energy-saving potential in order to clearly reduce emissions
- promotion of technologies for the use of renewable energies in hydropower, wind power, solar energy and biomass
- support reform-minded union states in implementing sector reform programmes (in cooperation with multilateral donors) by expanding and modernising generating capacities (coal-powered plants), taking into account environmental aspects
- support for implementing the Clean Development Mechanism (Kyoto Protocol) in the field of energy efficiency and renewable energies.

***Environmental policy, conservation and sustainable use of natural resources:*** This priority area consists of the environment programme “Advisory Services for Environmental Management (ASEM)” and the area of natural resource management.

ASEM works to find solutions to major environmental problems caused by rapidly progressing urbanisation and industrialisation. It is being implemented jointly by GTZ and the Indian Ministry of Environment and Forests. Advice on environmental policy and the careful treatment of resources is a crucial element of the programme. Its strategic objective is to manage the transition from a reactive process that tries to avert acute environmental danger and damage to one based on a preventive approach. In this context, it is guided by the concept of ecological structural change and efforts to break the link between growth and resource consumption.

India and Germany work together to achieve global environmental goals, for instance through climate protection measures. India is a clear advocate of implementing the Kyoto Protocol. This has led to intensive cooperation on the promotion of renewable energies, an increase in energy efficiency and the implementation of measures related to the Clean Development Mechanism (CDM).

“Natural resource management” supports India’s rural development, promoting access for the poor population to vital environmental assets and resources. Innovations and efficient implementation methods are developed in order to enhance the impact of the Indian Government’s national programmes. In the coming years, the sector will concentrate on three cross-cutting issues: decentralisation and participation of civil society, capacity building, and adjustment to the consequences of the climate change.

In concrete terms, this means strengthening implementation capacities and the responsibility for national programmes at state and local level.

Further, there are plans to bring the current individual projects together under the “Natural Resource Management” programme.

The German side additionally supports bilateral development cooperation through initiatives for reform of the health sector and those aimed at fighting HIV/AIDS and polio.

GTZ operates an office in New Delhi. Together with GTZ, the KfW Bankengruppe (KfW banking group) and Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) of the KfW Bankengruppe form a joint office compound.

GTZ cooperates with the central government and various state agencies. Further, GTZ International Services works on behalf of international organisations.

The GTZ is an international cooperation enterprise for sustainable development with worldwide operations. GTZ promotes complex reforms and change processes, often working under difficult conditions. Its corporate objective is to improve people’s living conditions on a sustainable basis.

The GTZ themes in India are the following:

- 1 ***Rural development:*** Rural economic development, management of natural resources, land management, rural services, food security, ...
- 2 ***Environment and infrastructure :*** environmental policy, forests, sustainable management of natural resources, water, energy, transport, eco-efficiency, ...
- 3 ***Economic development and employment :*** Economic policy, vocational training, private sector, ICT and economy, financial systems, globalization..

Technical Cooperation takes place in projects and programmes on-site. This is where strategies, ideas and plans have to prove their worth in practice.

GTZ operates development projects and programmes in more than 120 countries; its main client is the German Federal Government.

Co operation with the private sector have continuously gained importance in the context of international development work as a complementary instrument – also in India.

GTZ India has launched its first development partnership with the private sector (PPP) in 1999, right at the time when the PPP-Program was first initiated by the German Federal Ministry for Economic Cooperation and Development (BMZ).

Since then, 16 projects with private partners were successfully realized, 13 projects are being implemented today and more are planned for the future.

About 17 million euros have been invested in development partnerships, with the private share averaging around 62 percent. Sustainable economic development, energy and environment are the main areas of cooperation with the private sector in India. Also health and education are at focus. In country-specific projects or strategic alliances on a national level both partners contribute their strengths and therefore take advantage of the cooperation.

GTZ is implementing the following PPP projects

- 1) Training of youth in furniture production
- 2) Capacity building in the modern sector
- 3) Arsenic filtration West Bengal
- 4) Introduction of BEE-standards and labelling program
- 5) Improving women's health with endoscopic methods
- 6) Support farmers' activities in the value chain of biofuels
- 7) Micro-insurance products for social protection of poor population groups

### **Projects in India**

GTZ is implementing the following programmes and projects in the priority areas in India:

#### **Sustainable economic development:**

- a) Economic Development through eGovernance
- b) Small and Medium Enterprises Financing and Development
- c) Indo-German Corporate Social Responsibility (CSR) Initiative
- 4) Indo-German Institute of Advanced Technology, Visakhapatnam (IGIAT)
- d) Promotion of Industrial Services and Employment
- 6) Regional Economic Development Uttarakhand
- e) Rural Financial System Development Programme
- f) Social Security Benefits for Unorganised Workers, Karnataka

#### **Energy**

Indo-German Energy Programme

#### **Environmental policy/conservation and sustainable use of natural resources**

- a) Strengthening Capacity Building for Decentralised Watershed Management
- b) Capacity Building of Panchayati Raj Institutions in Himachal Pradesh
- c) Advisory Services in Environmental Management
- d) Promotion of Watershed Self-Help Programme in Maharashtra
- e) National CFC Consumption Phase-out Plan (NCCoPP)
- f) National CTC Phase-out Plan

**Public- Private Partnership (PPP)**

- a) Social Protection of Poor Population Groups in India, Indonesia and Laos (PPP)
- b) Introduction of Bureau of Energy Efficiency (BEE) Standards and Labelling Program (PPP)
- c) Arsenic filtration West Bengal
- d) Improving women's health with endoscopic methods
- e) EnviTec

**V. DFID INDIA**

DFID believes that without tackling the enormous poverty challenges in India the world will fail to meet the MDGs. For this reason the UK remains firmly committed to its development relationship with India up to the MDG target year of 2015. The purpose of its India programme is to support the Government of India achieve its poverty reduction targets as set out in its national plan (the Eleventh Five Year Plan) and to help India meet the Millennium Development Goals (MDGs).

DFID in India works at both the national level (in support of the Government of India's centrally-sponsored schemes) and at the state level in Madhya Pradesh, Orissa, Bihar, Andhra Pradesh and West Bengal. DFID India has established Trust Funds with key multilateral partners, World Bank, Asian Development Bank, UNDP, UNICEF to support their development activities.

DFID's contribution in India's fight against poverty are:

- Helped in reducing the total number of out-of-school children by more than 15 million in the last four years by supporting Sarva Shiksha Abhiyaan (SSA).
- A considerable national progress has been achieved in disease control, bringing polio close to eradication, reducing tuberculosis and helping keep HIV below 1% prevalence. DFID is a key supporter of the Government of India's National Aids Control Programme, National Polio Eradication Programme and Revised National Tuberculosis Programme.
- Lifted millions (especially Scheduled Castes and Scheduled Tribes) out of poverty in Orissa, Andhra Pradesh and Madhya Pradesh through our work on rural livelihoods.
- We have directly supported the growth of the microfinance industry in India, benefiting over 7 million poor people, mostly women, and services are expanding exponentially.
- Our urban regeneration programmes helped 10 million slum dwellers to benefit from improved municipal government and services, with a major focus on extending water and sanitation.
- Informed millions in India's 20,000 poorest villages of their rights, helping them to claim their dues through our Poorest Areas Civil Society Programme (PACS).

Future commitment to achieve MDGs

At the UK-India Summit held in New Delhi in January 2008, Prime Minister Gordon Brown and the Indian Prime Minister Manmohan Singh signed up to a partnership to fight global poverty. This partnership commits both governments to a series of joint actions to improve progress on the Millennium Development Goals, both in India and worldwide.

The major projects of relevance to NSA engagement are the following:

1. **Poorest states inclusive growth programme:** To improve income, and reduce vulnerability, of poor people and small producers, by expanding their access to finance and markets.

2. **Support programme for urban reforms in Bihar:** Identified ulbs ability to provide urban services and attract private investment significantly enhanced
3. **From field to market: sustainable livelihoods Programme**  
To empower small cotton farmers & labourers to lobby for fairer policy / institutional frameworks & realise fairer terms of trade in the cotton industry
4. **International NGOs partnershis agreement programme:** Increased integration of poverty-social exclusion linkages in government programmes, policies and institutions.
5. **Madhya Pradesh Rural Livelihoods Project - Phase 2:** Effective policies, institutions and programmes that sustainably enhance the livelihoods of poor rural people in tribal districts of madhya pradesh.
6. **Land rights and increasing livelihood opportunities :** to empower adivasis, particularly women, from 90 villages in uttaranchal to understand and access their rights, influence public policy and its implementation, access government schemes and services and increase livelihood opportunities.
7. **Poorest areas civil society programme :** Civil society influences government policies and programmes to be more responsive to the rights and entitlements of women and socially excluded groups.
8. **Madhya Pradesh Urban Services for the Poor:** Strengthened and pro-poor governance enables affordable and sustainable access to quality services for the urban poor in madhya pradesh.
9. **Improving the status of weavers in Varanasi :** to increase the capacity of silk sari weavers and other disadvantaged communities of the varanasi district to understand and access their rights by influencing public policy, accessing government programmes and increasing livelihood opportunities.
10. **Small and medium enterprises project:** a) To assist banks in creating a responsive financial infrastructure fro smes, b) to support a strengthened enabling policy environment for smes and c) to support market oriented business development services (bds) to small firms
11. **Capacity building for poverty reduction (cbpr) financial aid:** To assist the ministry of personnel(mop) in its efforts to promote and support improvements in publicadministration which will benefit the poor and marginalised
12. **Orissa tribal empowerment and livelihoods programme:** Livelihoods and food security of 75,000 poor tribal households sustainably improved.
13. **West Bengal: Kolkata Urban Services for the Poor:** Improved quality of life and opportunity for 2.4 million poor people in the Kolkata Metropolitan Area.

A distinguishing feature of the DFID engagement of the NSAs is that, such engagement is more indirect than direct. It works with multilateral agencies like the World Bank, as also with national public agencies such as, SIDBI.

## VI. CLUSTER PULSE

As the economy moves from low- to mid-income status, the economic relevance of SMEs will also grow further, with SMEs accounting for an increasing share of both gross national income and employment. Ensuring that SMEs have access to high quality business development services (BDS) is central to supporting their growth, and by extension, the growth of the whole economy.

Cluster Pulse, is a non-profit, professionally managed, self-sustaining, autonomous institution with excellence in implementation of Cluster Development initiatives as its main objective through the twin approach of market intervention first & then technology upgradation in SME's. It has worked in 66 clusters of UNIDO, USAID, IFC, World Bank, GTZ, DC-SSI, SBI (Project Uptech), Textiles Committee, Ministry Of Textiles & State Govt. all over India & in 9 other countries. It has worked in sectors like Textiles, agro, engineering, pharma, consumer goods, service sector etc.

Cluster Pulse core activity is implementation of cluster development program by way of both backward linkage & forward linkage.

This NGO is reported to have motivated the creation of 63 export Consortia in different clusters, all over India & in 9 other countries - Afghanistan, Pakistan, Turkey, China, UK, South Africa, Brazil, USA & Canada; generated savings of US\$ 19 Million on joint purchase through bulk negotiations & import sourcing; generated export orders worth US\$ 343 million through business delegation visits abroad; trained 12300+ companies on exports & CDP through 218 seminars; trained several CDA's, recovered US\$ 7.5 Million of bad debts through association action plan..

This NGO works in coordination within different Government departments & NGO's to support the industry. The work of Cluster Pulse is defined by rigorous analytical and strategy formulation expertise combined with practical, hands-on implementation experience. It has reasonable knowledge of India's SMEs and their business challenges, combined with international best practices on SME development and cluster growth strategies, as also specific knowledge of the targeted sub-sectors, including international market demand and competitor data for these industries.

Cluster Pulse's strategies take advantage of clusters efficiency, flow of information, economies of scale and innovation potential. Governments have different tools to work with clusters: from simple observation to change management.

Around mid-1990's, 353 clusters in India were listed. Experimental work started in certain clusters like Tirupur (Cotton Knitwear). The concept was, on one hand, to reduce cost of production of SME's through backward linkage, through the vehicle of "Consortium" for example: technology up gradation, joint raw material purchase, cost sharing etc...

On the other hand through forward linkage, again with the vehicle of "Consortium", to sell jointly in India & to export, thereby avoiding competition & working in co operation thereby getting better price realization. The result: Turnover of Tirupur city, which was about Rs. 400 Crores in 1994, went up to Rs. 11800 Crores in 2006 & exports from Rs.160 Crores went up to Rs. 9000 crores in the same period. Similar work was done in clusters like Bangalore (Machine Tools) & Ahmedabad (Pharmaceuticals) & in many more clusters.

Over a period of few years, Government, at central as well as state level, realized the importance of CDP & made it an integral part of its industrial policy. Central Government adopted a few clusters. Taking lead from this, many State Governments adopted clusters. Then organizations like SIDBI, Textile Committee - Ministry Of Textiles & many more Central & state agencies started adopting clusters & running programs. As of today, CDP can be said to be a grassroots movement for a resurgent SME sector in India!

However, there is a long way to go still. It is just the beginning of a journey !!! There is empirical proof that SMEs operating in the same industrial sectors tend to cluster close to one another. This tendency has been observed in different environments in both developed as well as developing countries. There are sound economic reasons for this phenomenon. SMEs operating in such clusters derive a clear competitive advantage from:

- The proximity to sources of raw materials.
- The availability of suitable business development services.
- The abundance of customers / buyers attracted by the clustertradition in that industry.
- The presence of a skilled labor force.

SME clustering is common in a wide range of countries and sectors. Some industrial districts in developed countries describes SME clusters that have reached high levels of growth and leadership in profitable niches of world markets . Similar examples exist from developed countries such as Germany, the USA, and Japan. This model can be replicated in developing & underdeveloped economies too. The principle of CDP's approach towards SMEs is that these companies can play a key role in economic growth as well as equitable development in developing countries.

However, this potential role is often not fulfilled because of a particular set of problems characterizing SMEs that are related to its size :

1. Individually, SMEs are often unable to capture market opportunities which require large production quantities, homogenous standards, and regular supply.
2. They experience difficulties in achieving economies of scale in the purchase of inputs (such as equipment, raw materials, finance, consulting services, etc.)
3. Small size constitutes a significant hindrance to the internalization of functions such as training, market intelligence, logistics and technology innovation all of which are at the very core of firm dynamism.
4. Small & Medium scale prevents the achievement of specialized and effective internal division of labor that fosters cumulative improvements in productive capabilities and innovation.

Due to the continuous and fierce struggle to preserve their narrow profit margins, small-scale entrepreneurs are often locked in their routine work and unable to introduce innovative improvements to their products and processes and cannot look beyond the boundaries of their firms to capture new market opportunities.

The emphasis of Cluster Pulse is to provide networking assistance to SMEs so that they can escape these limitations through co-operative efforts. For this purpose, Cluster Pulse supports the creation of SME consortiums & networks.

1. The term 'consortium' refers to a group of firms that cooperate on a joint project – like joint raw material purchase , joint marketing through common brand , cost sharing , capacity utilization , joint participations in exhibitions & marketing tours etc. thereby complementing each other in order to overcome common problems, achieve collective efficiency and conquer markets beyond their individual reach. Market access success is key to technological up gradation. Once they know the market , they will themselves invest in upgrading their technology in order to tap the markets.
2. The term 'cluster' indicates a sectoral and geographical concentration of enterprises which produce and sell a range of related products and are, thus, faced with common challenges and opportunities.

When economic reforms started in India 1991 , there was a serious concern about what will happen to Small & Medium Enterprises ( SME's ) in case big companies & import products enter India in a big way . Will the SME's , which generates large employment , collapse ? Will the crime rate go up due to unemployment ? Will the social fabric of India get disturbed?

One of the probable solutions was that SME's need infrastructural, technological & marketing support. This led to the beginning of Cluster Development Program ( CDP ), as a science. Earlier too, in some form , the program was being run in isolated places , but not as a science.

The CDP approach envisages consortium initiatives as components of a broader spectrum of support measures to SMEs. This is because such initiatives are frequently much more effective and sustainable if they involve the entire range of actors with whom the SMEs commonly interact.

Among such actors are : Suppliers of raw materials , plant & machinery, Consumers of goods and services from the SMEs Testing laboratories (both private and public), Research and development institutions , Industrial Associations, Technical , Marketing and management consultancy organizations , Training Institutions , Regulatory bodies enforcing/monitoring rules and regulations, Local Government , and Financial Institutions.

Global Network, an international trade consulting & training firm based in Ahmedabad, India was introduced to the Cluster Development Program ( CDP ) by UNIDO in year 2001. Global Network, motivated the creation of Cluster Pulse, an NGO , dedicated to cluster development initiatives in India & abroad.

After working in 66 clusters in India and in nine other countries, we are convinced that the only way to induce the SME business community worldwide to upgrade their technology & systems of production is by “convincingly proving the big size of the cake” i.e. the market. This can be achieved by market access through Exports. Once they see the huge overseas opportunity , they will naturally invest in their production processes in order to match demand requirements.

Since this is not the core activity of Global Network, it has promoted a NOT FOR PROFIT, Non Govt. Organization ( NGO ), by the name of Cluster **Pulse**.

**The three key areas of cluster intervention for this NGO are:**

- Motivation to form export consortia amongst SME’s
- BDS strengthening & provisioning in the cluster
- Association capacity building in the cluster

**It works with various stake holders, such as,** Local Government, SME’s / Networks, Universities R&D and Technical training institutions , Service providers, Trade associations ‘and Social development agencies Based on the success of one consortium , many more consortia are formed. Cluster **Pulse** withdraws from the cluster in the maturity stage, and handholding support continues.

## VII. TATA TRUST

From its inception in 1919, up to the mid 1990s, the Sir Ratan Tata Trust (SRTT) largely made grants in Bombay. Whilst the Trust was largely known for making individual grants for education and medical relief, it also made institutional grants. Education, health and support for allied trusts were the mainstay of institutional grant making, with a few grants also being made for the promotion of arts and heritage, women’s development, rural development, etc. Compared to the grants made currently, these were at best modest in comparison.

One of the early ventures of the Trust was the Sir Ratan Tata Industrial Institute, which gave work to needy women at a time when there was a dearth of openings for women in offices. In 1948, the Trust contributed to the setting up of the National Metallurgical Laboratory at Jamshedpur, and to the establishment of the Tata Memorial Centre in the 1970s at Navsari, the birthplace of Jamsetji Tata

Apart from concentrating on funding the establishment of prestigious and pioneering institutions, the Trust responded to requests from individuals and institutions, on an ad-hoc basis. Grants were given to individuals in need of medical assistance and relief, apart from funds for education. Grants to institutions covered the themes of education, urban development, rehabilitation and promotion of arts. However, education was given the most importance. The Trust disbursed Rs 166.08 million in the 76-year period up to March 1995.

In the early 90s, the size of resources was significant, and the Trustees expressed their interest that the Trust goes deeper in its grant making initiatives. It looked at making the grants’ process more professional. The first strategic plan was commissioned in 1994-95, and was prepared by Vijay Mahajan and Girish Godbole.

Its directions led to:

- ◆ Setting up five clear themes of work
- ◆ Encouragement to the Trust to develop its grant making systems
- ◆ Developing a pan-India focus
- ◆ Focusing on strengthening the non-profit sector, as much as on investing in specific projects

Significant achievements during this phase, 1995-2000 were:

- ◆ Setting up endowment grants, and publishing the paper 'Art of Giving' by Prof Tushar Shah. This was meant to assess the potential of endowments for long-term changes
- ◆ Setting up of a small grant programme, which allowed for application form based support
- ◆ Developing deep partnerships with some of the most significant development sector organizations

A new plan, undertaken by Mr Deep Joshi, was commissioned and completed in 2001 for the period ending 2006. This plan commended the growth of the Trust and the establishing of its grant making systems. It also challenged the Trust to go beyond 'resource transfers' into sectoral engagement.

- ◆ "The idea "let a thousand flowers bloom" has a lot of merit for a Charity and for any one exploring the field, as I presume was the case for the Trust so far. It is now time to begin to think in terms of a garden."
- ◆ Our sense is that the Trust has largely been concerned with making good grants in the fields of its interest and less concerned about 'developing the field with its grantees and others of significance'. The track taken by the Trust would affect its engagement with the grantees, whom it would begin to see as partners working on a shared problem. There would be closer interaction with grantees as well as other significant actors in the field.
- ◆ The Trust would then also be involved in other processes in the field besides making grants. The nature of grants and the composition of the portfolio would also be affected. There would be long-term relationships with grantees even when individual grants are of short duration. The ideas of strategy and focus would also be informed by the approach. The experience from the field would be systematically factored into the Trust's grant making.
- ◆ The Trust would do much "intrapreneuring" to create opportunities for making grants. An agency working 'on' a field would also become known as a significant member of the professional fraternity in that field. There are of course shades of such engaging with the field, but the core picture is that of a donor in search of good projects, a donor that closely monitors its contracts.
- ◆ Such pro-action in being able to see the larger picture and opportunity is perfectly in order for, and is a part of being a philanthropy. As the Trust gains more experience, it must engage in developing the field.
- ◆ In certain situations, the Trust may have to "intrapreneur" a strategic constellation. The important point is that there should be such a constellation in place, and it must display ownership of the project/programme."

The significant achievements of the Trust between 2001-09 have been made in the following areas:

- ◆ Development of at least six national initiatives, which demonstrate the nature of intrapreneuring suggested by the strategic plan 2006.
- ◆ Developing partnerships with state governments
- ◆ Developing alliances with international knowledge institutions and multilateral donors
- ◆ Developing four institutions set up for engaging with the sector; including the Himmothan Pariyojana, Kharash Vistarotthan Pariyojana, Centre for microFinance and CINL.

The Third Strategic Planning exercise was designed, recognising the growth of each portfolio and the need therefore of closer thematic engagement. Specific strategic plans to each sector were commissioned. Each of these reviewed the progress, looked at the sectoral challenges, and made recommendations to the Trust for its role in strategic grant making.

An integrative plan was developed which made institutional recommendations to the Trust to manage growth. This plan was prepared by a team led by Mr Girish Sohani.

The key challenges articulated by the plan today are, thematic integration, particularly in geographic areas of interest, ensuring institutional development of cells seeded with the Trust's support, building alliances that cut across many of the regional initiatives, and development of knowledge management systems. Intervention in rural livelihoods communities is a focal area for the Trust.

## VIII. RUDSETI

**Two premier public sector banks in the Country, Syndicate Bank and Canara, took a joint institutional initiative in mitigating the unemployment problem in 1982. The platform, RUDSETI came into being under the leadership of D. Veerendra Heggade, a great visionary and a religious head of a famous pilgrim center at Dharmasthala in Karnataka. Rural Development and Self Employment Training Institute (RUDSETI) is located at Ujire, a small village in Dakshina Kannada district of Karnataka.**

**The RUDSET Institute is a Non- governmental Organisation ,with 20 branches , located in all the four regions of India, is working with an avowed goal of alleviating unemployment in the rural and semi-urban parts of India. The philosophy of RUDSET Institute is transformation of rural youth to acquire productive identity through short duration intervention. This is achieved by motivating them for utilising a little experience gained in their life and bringing technology, training and credit within their reach. Positive attitude and self- confidence is instilled in the minds of trainees through well-planned training inputs. Need-based training programmes are evolved taking into consideration the scope and sustainability of the activity by constantly scanning the environment.**

**Its mission is stated as, channelising youth power in wealth creation, and empowerment of youth to share economic progress equitably. Its objectives are to, identify, orient, motivate, train and assist the rural youth to take up self-employment as an alternative career, promote rural entrepreneurship, train village level workers, and counselling and project consultancy.**

The Institute conducts more than 50 types of training programmes, which are of short duration, ranging from 1 to 6 weeks. The programmes are classified under the following categories:

- 1) ***For First Generation Entrepreneurs***(Agricultural EDPs)
- 2) ***General EDPs***
- 3) ***EDP for Established Entrepreneurs***(Skill Up-gradation programmes for enhancing the skills, Growth Programmes for expansion, diversification and growth in business ).
- 4) ***Rural Development Training Programmes***(For Rural Development workers of NGOs, Self-help Group (SHG) representatives, Staff of rural banks , Social animators).
- 5) ***Technology Transfer Programmes***(For introduction of cost efficient, environment friendly technologies).
- 6) ***Human Resources Development Programmes***(For officials of Banks , Government Departments, Non-governmental Organisations ).

RUDSETI has acquired expertise in conducting specific custom-made programmes for: Women empowerment, Programmes for SHG leaders on SHG formation and management, Programmes for SHG members on entrepreneurship development, skill development, SHG management and group enterprises., and capacity building programmes for NGOs involved in rural development and entrepreneurship development.

### **Capacity Building of NGOs –Training to NGO field staff under SWASHAKTI Project:**

‘SWASHAKTI’, (World Bank funded) project of Government of India is implemented through Karnataka State Women’s Development Corporation (KSWDC) in four Districts of Karnataka viz Kolar, Chitradurga, Bellary and Tumkur. Building self-reliance and self-confidence in women so as to have greater access, as well as control over economic and social resources and the political processes are the objectives of the project. It is envisaged to achieve the objectives by organising the women under self-help groups under the guidance and training of NGO field staff. To achieve the objectives, different orientation programmes and training are planned at various levels for different agencies involved in the implementation of the project. RUDSETI was offered to conduct the training in two phases for capacity building of NGOs.

RUDSETI Institute conducted Phase I training on “Management of Savings and Credit, Records and Registers of SHGs”. Phase II of the training was imparted on “Bank Linkages with SHGs, Government Schemes, Panchayat Raj Institutions and Role of Women in Panchayat Raj” for 160 community workers of Chitradurga, Kolar, Tumkur and Bellary Districts. Apart from the specified technical inputs, RUDSETI Institute adopted innovative approach providing additional inputs on group dynamics, human relations, leadership, effective communication, interaction with SHGs and interface with Bank officials. Entrepreneurship Development Programmes for women SHG members under SWASHAKTI project was also imparted at RUDSETI Nelamangala and Chitradurga.

### **Training & handholding services in KAWAD’s Watershed Development Project (DFID funded):**

Karnataka Watershed Development Society (KAWAD), a joint venture of Government of Karnataka and Government of United Kingdom has taken watershed development activities in three semi arid drought prone districts of Karnataka State viz., Chinnahagari Watershed in Chitradurga district, Upparahalla Watershed in Bellary District and Doddahalla Watershed in Bijapur District. The project funded by Department For International Development (DFID) aims at reduction of poverty through sustainable natural resource management through participation of stakeholders.

RUDSETI Institute has taken up an assignment as a resource agency in Doddahalla Watershed Development Project in Bijapur district to promote establishment of micro enterprises by land less and marginal stakeholders, through intensive efforts. The objective is to identify, motivate and train 500 members of self-help groups and facilitate them to establish micro enterprises by providing escort services including bank linkages, project report preparation, business counselling, market exposure etc. Taking into consideration the target group, focussed attention was given to the envisaged tasks.

During the year, 551 SHG member/ family members were given EDP training and 56 persons were further trained in skill development training including garment manufacturing and services at RUDSETI Institute, Bijapur. A total of 113 units have been established in the seven villages of the project, after the training. As a part of the project, a special programme on Entrepreneurship Development Process was conducted for the co-ordinators and field staff (28) of partner NGOs of the watershed project at RUDSETI Institute, Ujire. Further, Capacity Building Training for Partner NGOs of all the three Watershed Development Projects was organised at RUDSETI Ujire and Chitradurga wherein 55 field staff were trained in order to accord role clarity of the field staff and vision building.

### **Training to Stakeholders and Capacity Building of Field NGOs under Sujala Watershed Project**

**(World Bank Funded):** Watershed Development Department, Government of Karnataka has taken up the Sujala Watershed Development Project in five districts of Karnataka viz. Chitradurga, Kolar, Tumkur, Dharwad and Haveri. Sujala project addresses the problem of ensuring livelihood security in drought prone and degraded areas in which the bulk of the population are dependent upon renewable natural resources. Apart from the land-based activities, the project has a unique system of conducting non-land-based activities to reduce poverty in drought prone locations.

RUDSETI Institute has taken up the assignment of providing training and handholding services to land less stakeholders of Chitradurga District to facilitate them for taking up non-land-based income generating activities. RUDSETI Institute has a crucial role to play in developing entrepreneurship among the stakeholders/ self-help group members so that the resources are better utilised and migration of labour is arrested. During the first phase, Entrepreneurship Development Programmes (EDPs) to 1335 stakeholders were organised.

The staffs of Field NGOs have been actively involved in motivating these people, organising SHGs and guiding their activities. Their continued involvement is essential in facilitating Entrepreneurship Development by providing timely guidance and organising group enterprises. It is felt necessary that the facilitators should have a thorough knowledge of Entrepreneurship Development. In this backdrop, RUDSET Institute has organized Training of Trainers (ToT) to the staff of Field NGOs involved in the project.

Furthermore, impressed by the impact during the implementation of the first phase of the project, it has further extended the contract for training 1700 stakeholders in Hosadurga and Molkalmur districts of Chitradurga District.

**Restructuring the curricula and methodology of PMRY Training Manual:** Prime Minister's Rozgar Yojana (PMRY) is an important programme of the Government of India, implemented by the Ministry of Agro and Rural Industries, to promote self-employment among the educated unemployed youth. Besides facilitating Bank loans and Cash subsidies for setting up of Micro Enterprises, the beneficiaries of the Scheme are also provided training in entrepreneurial and managerial skills to enable them in successfully running the micro enterprises. The Ministry had assigned the task of restructuring the curricula and methodology of Entrepreneurship Development training for the beneficiaries of PMRY. The revised "PMRY Training Manual" has been accepted by the Ministry. This Training Manual serves as a model to all the Entrepreneurship Development Training Institutes situated all over the country.

#### **Rural Industries Programme of SIDBI:**

Small Industries Development Bank of India (SIDBI) has devised Rural Industries Programme to promote rural enterprises through identifying potential entrepreneurs, motivating them and providing a package of assistance including technology and market linkages. The programme is to facilitate better commercial exploitation of local resources and employment generation in rural areas. The RIP in Udupi district is implemented through Rural Development and Self Employment Training (RUDSET) Institute, Brahmavar unit since July 2001.

During the last 2 years, under the guidance and support of SIDBI, RUDSET Institute has :

- § Conducted 48 Awareness programmes to motivate and identify potential entrepreneurs.
- § Organised 6 SIDBI sponsored RED programmes to 180 identified persons
- § Provided skill development training programmes to 258 persons.
- § Conducted 61 follow up meets to contact 528 trained persons to ensure sustained motivation and assisting them for overcoming teething troubles.
- § Provided escort services including business opportunity guidance, business plan preparation, project consultancy, business counselling services and linkages with credit and technology.

During the 2 years period from July 2001 to June 2003, a total number of 289 units have been established in the district by the facilitation of RUDSET Institute under the scheme. Total investments made in the established units come to Rs.4.37 crores out of which bank credit is availed to the extent of Rs.3.51 crores. Employment is generated to additional 516 persons in the established units.

#### **EDP for International Participants:**

A special EDP was conducted in English and Telugu at RUDSETI, Ananthapur in which community development professionals from Brazil, Mexico, Kenya, South Africa and Philippines participated. This EDP was specially designed for identified youth from Kuppam Assembly constituency represented by Sri Chandrababu Naidu, Honourable Chief Minister of Andhra Pradesh. These youth are being developed as business as well as social entrepreneurs under the ambitious youth empowerment project.

World Corps India, Chennai, a voluntary organization having its headquarters at Seattle sponsored the training, USA committed to mobilizing young adults worldwide to become effective business entrepreneurs, community leaders and global citizens. The international participants impressed by the programme expressed their desire to replicate RUDSETI model in their countries.

**Swarna Jayanthi Gram Swarozgar Yojana (SGSY):** Jayanthi Gram Swarozgar Yojana is one of the prestigious programmes formulated by the Government of India with an objective of alleviating poverty among the rural enmasse through promoting self-employment. The scheme aims at selection of Swarozgaries from the Below Poverty Line, organising them into self-help groups training them to acquire skills to become self-reliant by providing credit support. RUDSET Institutes has played a pivotal role in effectively implementing the programmes. Basic orientation, skill training and training on SHG management has been conducted successfully along with training to ZP/ DRDA officers.

**VIII. Prime Minister's Rozgar Yojana (PMRY) :** The Prime Minister's Rozgar Yojana is also a boon to the rural unemployed youth. RUDSET Institutes has been conducting special training to the self-employment seeking youth under the scheme. The candidates who come with the only aim of getting a certificate have felt that the training programme imparted at RUDSET Institute is quintessential to everyone and has accorded a fresh lease of life to them. So far, through 20 centres of RUDSET Institute, **32,211** entrepreneurs have been trained under PMRY scheme up to **30.06.2005**. Out of the trained candidates, **24,816** have been able to establish their units with credit assistance from Banks.

**EDP for Leather Artisans of Athani:** RUDSET Institute in collaboration with ASCENT had experimented EDP for Leather artisans of Athani, Belgaum District by bringing together husband and wife for the empowerment programme. Apart from the common inputs, information on group management, technical as well as design skills and management of enterprise were given through a team of management experts. Inputs on SHG concept, common fund management, credit linkage and conflict resolution helped the women in knowing the SHG concept clearly and ways of applying it in their settings.

**EDP- SWASHAKTI Project:**

RUDSET Institute has conducted specially designed short duration entrepreneurship programmes to SHG members under SWASHAKTI project in Chitradurga, Bellary, Tumkur and Kolar districts during the year 2002-03. The programmes were aimed at empowerment of women through developing entrepreneurial competencies, enabling them to identify business opportunities and equip themselves with skills to establish and run a micro enterprise including marketing skills. During the year 2002-03, RUDSETI centres of Chitradurga and Nelamangala have conducted 24 training programmes to train 829 women SHG members.

**HR Training:** RUDSET Institute has conducted exclusive customized Human Resource Development programme to senior officers and academicians. Director of Vocational Education, Government of Karnataka desired to rejuvenate the vocational education by adapting the element of motivation in vocational courses offered at plus 2 level in the colleges of Karnataka. A suitable three-day HRD programme was designed and conducted at 6 RUDSET Institutes in Karnataka to the Deputy Directors, the district in-charge of Vocational Education in Karnataka and Principals of Vocational Education Colleges. The programme proved effective in enabling them to understand various elements of HRD and equip them with motivational skills. The programme was well received and created a visible impact. HRD training programmes are also conducted on regular basis to officers of Grameena Banks and sponsor banks.

**Trainers' Training Programme in Entrepreneurship Development**

RUDSET Institute has also conducted Trainers' Training Programme in Entrepreneurship Development in vernacular languages (Telugu and Hindi) at RUDSETI Anantapur and RUDSETI Gurgaon for the benefit of co-ordinators of NGOs. RUDSET Institute has also trained officials from other Banks like Corporation Bank, Vijaya Bank, State Bank of Hyderabad, Bidar DCC Cooperative Bank etc. in the Trainers' Training Programme held at Dharmasthala.

**Intrapreneurship Development Programme:** Intrapreneurship Development programme for the workers of Small Scale Industries were also conducted successfully to enhance motivation and managerial skills of employees besides stimulating their creative abilities.

**Entrepreneurship Orientation Programmes under KVIC:** The Khadi and Village Industries Commission (KVIC), State Office, Bangalore has recognised RUDSET Institute for conducting Entrepreneurship Development Training programme to the beneficiaries financed under REGP scheme (Margin Money Scheme)

of KVIC. A total of 334 beneficiaries under the Margin Money Scheme were trained at RUDSETI Ujire, Chitradurga, Udipi, Bijapur and Mysore.

## **IX. DEVELOPMENT ALTERNATIVES**

Development Alternatives is a non-profit organisation established in 1983 with the goal of creating large - scale sustainable livelihoods.

Its mission is to promote sustainable national development. The corporate objectives are to innovate and disseminate the means for creating sustainable livelihoods on a large scale, and thus to mobilise widespread action to eradicate poverty and regenerate the environment.

The focal points of the DA corporate strategy are:

- *Innovation*, through design, development and dissemination of, appropriate technologies, effective institutional systems, and environmental and resource management methods.
- *Sustainability*, through commercially viable approaches
- *Scalability*, through partner organizations and networks

Development Alternatives works with partners in all sectors: government, international agencies, public and private sector institutions and grass root voluntary organisations. The responsibility for providing support to such partnerships lies with its respective functional units.

### ***Environmental Systems Branch (ESB)***

Sustainable development strategies  
State of environment reports  
Impact assessment studies  
Management plans & programmes for  
Basic needs, resources, rural economics, Land use, command areas, watershed , Wildlife, protected and pristine areas, wastelands , Rehabilitation, disasters, Technology assessment and forecasting, and Guidelines for environmental management of projects.

### ***Technology Systems Branch (TSB)***

The activities of this Branch include, Eco building advisory services, Market & development assistance, Machine & product design service , Technology development & consultancy service, and Vertical shaft brick kiln (VSBK) services and a best practice service centre at Datia (Madhya Pradesh) .

### ***Institutional Systems Branch***

**(ISB)** This Branch offers Connectivity Services, such as, installation and maintenance of systems, providing e-mail and file transfer, maintenance of links with non-automated users

### **Information Services**

It mounts and provides access to databases , provides access to conferences/ discussion groups, and route queries to appropriate information sources.

### **Node Management**

It mobilises and trains users, provides market information products and services , does Monitoring, and offer financial management services.

### **Development Functions**

Development functions include, hub upgradation and maintenance, database development and management, scan internet information on the theme and customise it for Indian users, and internet gateway services development and management.

### **Support Functions**

It includes, geomatics support services , and Customised support to sustainable development support agencies.

## **Information Dissemination**

Activities in this area are, generating information systems, editing, publishing, writing (print media), production of TV or video films, multimedia presentation, interactive CD-Rom, documentation & photography (audiovisual) , and organising public meetings, seminars, conferences praining services, publications.

The activities of Development Alternatives cover an array of development issues. And these issues are complex, requiring sophisticated, trans-disciplinary responses. To be able to provide such responses successfully, the Group has built up a strong capacity to identify the priority issues confronting the nation and devise effective ways to solve them. It has therefore brought together a cadre of professional staff members with a wide range of skills and backgrounds but a common, solid commitment to excellence and team work.

To attract and retain staff of this quality, Development Alternatives has a three pronged approach: an outstanding work environment, exciting career development programmes, and attractive terms of employment.

The objective of DA is to design options & promote sustainable development through programmes of : Economic efficiency, Equity & social justice, Environmental harmony, Resource conservation, and Self-reliance.

The above has been materialised achieved through innovation and appropriate design of , Technologies, Institutions, Decision making systems, Knowledge structures, and Societal paradigms. In essence the focus areas of the DA Group are truly in creating sustainable livelihoods & development, Sustainable technologies, and sustainable social environment.

### ***Sustainable livelihoods & development***

The environment is dynamic, interdependent and if cared for, as resilient as it is vulnerable. The interactions between people and the environment are highly complex which calls for intervention through Environmental Management Systems. Planning & management of the development processes must, therefore be adaptive and based on a well informed assessment of each specific situation, so that the benefits do indeed reach the intended beneficiaries. Sustainable livelihood's allow for a "rational" use of natural resources also ensuring improvement in quality of life through generating employment.

### ***Sustainable Technologies***

The design process integrates modern multi-disciplinary expertise & local traditional knowledge. The concept of sustainable technology ensures rising the levels of "Technicity", so as to provide continuity with existing methods while introducing new technological perceptions. At the same time it serves societal objectives such as employment generation & resource conservation.

### ***Sustainable societal environment***

Man since times immemorial has existed in societal systems governed by the ruling ideologies of that era. There is always need for change with passing time to ensure the over all development of an individual in society carving his own niche. This freedom or opportunity given to him/her generates a sustainable environment for the individual.

## X. PARTNERS IN CHANGE

Partners in Change was formerly established by ActionAid International India in 1995 under the Societies Registration Act, 1860. PiC was the first NGO in the country with a mandate to exclusively focus on engaging with business to minimize its negative impact and maximize its positive impact upon the lives of the most vulnerable and marginalized, as an integral part of doing business.

During the first decade of its existence, ActionAid International India was its core funding supporter along with the Ford Foundation. With effect from January 2006 PiC has transitioned itself into a fully independent organization with a wide support base, including core funding from Oxfam (NoviB), Netherlands.

PiC operates through its head office in New Delhi and has regional presence in Mumbai, Jamshedpur, Bangalore and a field office in Tirupur, Tamil Nadu. Its team comprises 14 professionals as well as international researchers and consultants working on various Corporate Responsibility related initiatives.

PiC recognises that in order to successfully promote corporate responsibility it needs to work closely with variety of stakeholders, at national and international levels, and engages in strategic partnerships with like-minded organizations in furtherance of its mission.

It intervenes in a variety of developmental issues and offers professional services.

### ***For companies, it helps in:***

- Providing CSR related information on specific industry and sectors.
- Assisting with strategizing and evolving CSR strategies.
- Assisting companies in developing sustainable supply chains.
- Training to build competencies and capacities of on CSR initiatives.
- Identifying opportunities for multi-stakeholder partnerships.
- Provide opportunities for volunteering of company staff on CSR initiatives.
- Strategic review and assessment of corporate community investment.

### ***To Civil Society organizations:***

- National and international information and resources on CSR.
- Building capacities of CSOs for engagement with business on CSR issues.
- Promoting the establishment of networks and alliances on CSR.
- Awareness raising on international instruments (Standards / Codes / Norms / Guidelines) on CSR

### ***Academic Institutions :***

- Equipping youth leadership of tomorrow with CSR knowledge and skills.
- Integrating CSR education in the core curricula of B-Schools.

## XI. DHAN FOUNDATION

Development of Humane Action (DHAN) Foundation, a professional development organisation, was initiated on October 2, 1997. It has been incorporated as a Trust under the Indian Trusts Act (1882). The Trust has been promoted with the objective of bringing highly motivated and educated young women and men to the development sector. They would work on bringing out new innovations in rural development and for upscaling development interventions to eradicate poverty in vast areas of the country.

DHAN's vision and mission have some peculiarities. The Foundation works towards bringing significant changes in the livelihoods of the poor through innovations in themes and institutions. The broad purposes for which it stands are:

- **Mothering of Development Innovations:** The institution aims to promote and nurture new ideas on different development themes, which have larger potential to address the livelihoods and development of the poor in a region viz., microfinance, small scale irrigation, dry land agriculture, working with panchayats.
- **Promoting Institutions to reach scale:** Exclusive thematic organisations will be promoted to undertake development work with a sub-sectoral focus. The primary role of these institutions is promotional and to ensure that benefits reach a large number of poor with quality.
- **Human Resource Development:** The institution would bring young professionals into the development sector and provide them an opportunity to practice and develop relevant knowledge, attitudes and skills to work long term in the development sector.

The guiding principles of the organization are:

1. Engaging high quality human resources to work at the grassroots. The focus of the work would be on enabling rather than delivery of services.
2. Valuing collaboration with mainstream institutions and government to demonstrate new and effective ways of development interventions, thereby building viable linkages between them and people.
3. Promoting people's organisations at various levels to ensure entitlements and to build an effective demand system.
4. Focusing on promotion of livelihoods to address poverty directly.
5. Enriching the themes and retaining sub-sectoral focus would be the strategy for growth.

DHAN Foundation and the thematic institutions promoted together form the DHAN Foundation. DHAN Foundation is a creative concept to nurture and preserve the culture of collegiality, mutuality and solidarity. Shared purpose, core values and resources (human, financial and physical resources) bind the DHAN Foundation. DHAN Foundation as the parent institution would guide, support and regulate its family institutions on their mission, policies, strategies and values. Each institution would define its 'own unique' space with synergy.

Policy contribution at national and global level. DHAN Foundation through the Tankfed Agriculture Development Programme has facilitated wider consultations among farmers, bureaucrats, scientists and academicians. This has been done through organising policy seminars and workshops, undertaking research and publishing documents and participating in various policy making bodies of State and Central Governments on development of water, small scale irrigation and rural development.

In Tamil Nadu and Karnataka 'Conservation Council for Small Scale Water Resources' has been constituted with eminent personalities to influence the policies on water and small scale irrigation in favour of farmers.

While through the Kalanjiam Community Banking Programme, DHAN Foundation as a member of many policy-making bodies on microfinance and through participating in national and international conferences, strongly advocates refocusing of 'microfinance' to address poverty and empowerment of poor especially women. As a resource centre, it organises many capacity building events and training programmes for bankers, government officials and representatives of NGOs within and outside the country.

DHAN Foundation is a founder member of INAFI (International Network of Alternative Financial Institutions) focuses on micro finance. It is currently coordinating the INAFI India Chapter.

DHAN Foundation works in a highly decentralized manner in keeping with the diversity of themes, contexts, technology etc. with which it is working. DHAN Foundation's two thematic programmes are scaling up in a significant manner. DHAN Foundation is continuously on the lookout for new innovations in development, which can impact the lives of the poor in a sustainable manner. These initiatives provide new opportunities and challenges to DHAN Foundation. The two themes - Tata-Dhan Academy and Information Technology for the poor have moved from the pilot stage to the next stage and two more themes - Rainfed Agriculture and Working with Panchayats are being piloted. The Central Office does the integration across functions and programmes. The major functions are human resource development, resource mobilisation, strategic planning, review and guidance to the programmes, support in the policy advocacy efforts, promotion and nurturing of new themes etc.

## **XII. SEWA**

SEWA is a trade union registered in 1972. It is an organisation of poor, self-employed women workers. These are women who earn a living through their own labour or small businesses. They do not obtain regular salaried employment with welfare benefits like workers in the organised sector. They are the unprotected labour force of our country. Constituting 93% of the labour force, these are workers of the unorganised sector. Of the female labour force in India, more than 94% are in the unorganised sector. However their work is not counted and hence remains invisible.

SEWA's main goals are to organise women workers for full employment. Full employment means employment whereby workers obtain work security, income security, food security and social security (at least health care, child care and shelter). SEWA organises women to ensure that every family obtains full employment. By self-reliance we mean that women should be autonomous and self-reliant, individually and collectively, both economically and in terms of their decision-making ability.

At SEWA we organise workers to achieve their goals of full employment and self reliance through the strategy of struggle and development. The struggle is against the many constraints and limitations imposed on them by society and the economy, while development activities strengthen women's bargaining power and offer them new alternatives. Practically, the strategy is carried out through the joint action of union and cooperatives. Gandhian thinking is the guiding force for SEWA's poor, self-employed members in organising for social change. We follow the principles of satya (truth), ahimsa (non-violence), sarvadharm (integrating all faiths, all people) and khadi (propagation of local employment and self reliance).

SEWA is both an organisation and a movement. The SEWA movement is enhanced by its being a sangam or confluence of three movements : the labour movement, the cooperative movement and the women's movement. But it is also a movement of self-employed workers : their own, home-grown movement with women as the leaders. Through their own movement women become strong and visible. Their tremendous economic and social contributions become recognised. With globalization, liberalization and other economic changes, there are both new opportunities as well as threats to some traditional areas of employment.

More than ever, our members are ready to face the winds of change. They know that they must organise to build their own strength and to meet challenges. There are still millions of women who remain in poverty and are exploited, despite their long hours of hard labour. They bear the brunt of the changes in our country and must be brought into the mainstream, so as to avail of the new opportunities that are developing with regard to employment.

Also there is much to be done in terms of strengthening women's leadership, their confidence, their bargaining power within and outside their homes and their representation in policy-making and decision-making fora. It is their issues, their priorities and needs which should guide and mould the development process in our country. Toward this end, SEWA has been supporting its members in capacity-building and in developing their own economic organisations.

### **SEWA SERVICES**

Supportive services like savings and credit, health care, child care, insurance, legal aid, capacity building and communication services are important needs of poor women. If women are to achieve their goals of full employment and self-reliance, these services are essential. Recognising the need for supportive services, SEWA has helped women take a number of initiatives in organising these services for themselves and their SEWA sisters. Many important lessons have been learnt in the process of organising supportive services for and by poor women. They provide these services in a decentralised and affordable manner, at the doorsteps of workers. Further, supportive services can be and are themselves a source of self-employment. For example, midwives charge for their services and creche workers collect fees for taking care of young children.

Also, women are ready to pay for the services and in fact, this results in the financial viability of the supportive services. They do not have to be totally dependent on subsidies and grants. Some supportive services like savings and credit, health and child care have formed their own co-operatives. These cooperatives have gained operational self sufficiency.

SEWA bank has achieved financial viability for many years now, while the other cooperatives are steadily moving towards this. This activity spectrum includes, Sewa Bank Legal Services, Health Care, Capacity building of Sewa Members, Child Care, Housing and Infrastructure, VimoSEWA (SEWA Insurance), Video Sewa.

## **XIII. DRISHTEE FOUNDATION**

Drishtee, the social enterprise, has evolved an entrepreneurial network of the ICT Centers or Kiosks that facilitate information and services related to education, health, employment, government services, insurance, e-commerce and many more in the rural areas. The 1020 kiosk network of Drishtee Kiosks connects Panchayats to each other and to the service and information delivery channels developed through Drishtee. With one Kiosk on every five to six villages, Drishtee caters to rural users in more than 50,000 villages across India. It saves a huge opportunity cost and gives a considerable socio-economic edge to the communities being addressed through the ICTs.

The most common Challenge being faced by the ICT networks and the Information Centers today is in reaching out to the communities, i.e. bringing them closer to the ICT centers. Drishtee Foundation is a not-for-profit organization that facilitates a communication link between the ICT and its users for their sustainable development. It has been designed to play a catalytic role in enhancing the reach and results for economic and social benefits through the ICT networks, mainly through Research – to increase the viability component and Promotions – to step up the sustainability factor.

Drishtee Foundation has its ongoing projects in Assam, Chattisgarh, Bihar, Harayana, Madhya Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh.

## Ongoing Projects

**ICT Segmentation of 2488 Panchayats of Assam for ICT Initiatives:** While introducing ICTs in rural India, many challenges are encountered like Connectivity, Content, Capacity and above all Sustainability. A Research project work (through field survey) on “ICT Segmentation of Panchayats in Assam” was taken up by Drishtee Foundation for the Ministry of Panchayati Raj and Department of IT (DIT), during April - August 2005, for studying the viability of setting-up of ICT based Common Services Centers (CSC) or ICT Kiosks in 2488 Gram Panchayats (GPs) of Assam.

The tool for Assessment was an innovative ‘ICT Segmentation Model’ developed by Drishtee Foundation that considers all key factors/variables on socio-economic and sustainability issues grouped under the heads,- (1) Rural Dynamics, (2) Rural Economics and (3) Rural Infrastructure.

The above project work needed a detail survey and analysis on all the 2488 nos. Gram Panchayats (GPs) in Assam for the purpose of segmenting the GPs into four broad segments like Unsustainable, Sustainable, Viable and Profitable, after a consideration of demand and revenue generation potential for ICT initiatives and also the viability of setting up of such Common Service Centres (CSCs) in the region, including equitable ICT growth in the rural areas to help bridge the Digital Divide.

The summary findings revealed that out of the 2468 GPs in 21 districts (out of total 2488 GPs) of Assam, there are 39 Unsustainable GPs (1.6%), 606 Sustainable GPs (24.6%), 1812 Viable GPs (73.4%) and only 11 Profitable GPs (0.4%). These segmented GPs were further analyzed on certain important factors (constraints) for the purpose of (a) to understand the effect of these factors on its sustainability/success, and (b) drawing attention of the Govt. on the limiting factors towards its sustainability. As a roadmap to establish CSCs in Assam, in the first phase, a suggestive list of GPs have been provided in the study report, which is based on certain important criteria of key factors.

**Prospects of Info-Services in Indian Villages, using Telephone Media:** Working with a UK-based international NGO, World Talk, Drishtee undertakes a survey project on a pilot scale in rural areas of three districts of India, during January-February 2005, to assess the Potentiality and Prospects of disseminating Information and Services to villagers through Telephone Media or using Voice Mail Box on various Government Schemes, Health Services, Agriculture activities, Rural Employment, Development Programmes, Classifieds, Employment etc.- the services (locally relevant and in local languages) that villagers need for their daily lives and if provided will help improve their living conditions and reduce their traveling cost and time to Govt. Offices for the same.

The broad objectives of the above study was to (1) assess the acceptability and potentiality of usage of such information and services among villagers to be provided through telephone/voice mail, (2) Identify those Information/Services that can be best provided via telephones to the villagers and is in demand for their daily life, and (3) Villagers’ willingness to pay, as service charge, to avail such info-services. The survey methodology included administration of the set of Questionnaires (designed for the purpose) on target groups/sample respondents (as per sampling plan) along-with the use of Demo-voice services.

The districts selected for the study were Malapuram in Kerala, Madhubani in Bihar, and Sirsa in Haryana. The survey findings on ‘World Talk Project’ revealed that there is high potentiality for such new means of info-services in Indian villages as the rural people find it useful. Most of the respondents (around 95%) liked the process of getting information and were willing to pay, provided the relevant information is Correct, Complete, and Available on time. The infrastructure for providing such services was found available in villages. However, for its effective implementation depends more on the support from local administration & gram-panchayat; cost-effective pricing, information base creation and also an awareness drive for these ideas in the villages.

**Delivering Rural E-Commerce & E-Health in Indian Villages, using Tablet PC:** In technology partnership with Microsoft, Drishtee Foundation took up this project with an aim to explore the usage of Tablet PC at village kiosk level for Rural e-Commerce and Rural e-Health initiatives in rural India, as-well-as to develop a sustainable and scalable business model for each application, i.e. a re-engineered product supply-chain and management process (connecting rural artisans and markets) that empowers rural artisans to earn better for their sustained livelihood, and for other part an on-line distance medical diagnosis and consultancy

from reputed specialized hospitals/doctors to rural and poor people living in villages that brings effective health care at their door-steps at reduced cost and improve their well-being.

The districts covered for the above study purpose for both the applications were Madhubani (Bihar), Sonitpur (Assam) and Bareilly (UP) that are famous for its art-crafts like, Mithila Painting, Wood & Cane Crafts and Zari-Zardozi respectively; these districts have also the presence of rural ICT Kiosks (of Drishtee's) that serves the rural people as information and services provider.

The survey findings revealed a potential demand and acceptability of such ICT Applications among rural artisans and in general for rural community, their willingness to avail these services at reasonable charges, through their village information kiosks (an inter-mediatory in the chain), for their sustained livelihood and well being.

The project seeks to mark a paradigm shift by using the modern techniques of ICTs coupled with the usage of Tablet PC for rural e-commerce and e-health initiatives to bring in benefits to rural community as-well-as for socio-economic development in rural areas. As a result of this study, 'Drishtee' has developed an e-Commerce Portal 'Drishtee Haat' (<http://www.drishteehaat.com>), connecting rural artisans to customers through the portal and village kiosk, acting as an intermediary in the supply chain process.

**Penetration of ICT in Rural India:** In the last 5 years 'Drishtee' has setup more than 1000 ICT Kiosks in remote villages of Assam, Bihar, Uttar Pradesh, Haryana, Madhya Pradesh, Chattisgarh, Orissa and Tamil Nadu, based on the need assessment and demand assessment research by Drishtee Foundation. These deployed kiosks have multi-dimensional impact on rural community because of its focus on sustainability, scalability and entrepreneurship.

This research on 'Penetration of ICTs in Rural India' by DF primarily aimed at understanding and assessing the Impact of deployed rural kiosks on the village communities and kiosk operators (the local entrepreneur) while also taking an account of its sustainability.

The research work was planned over a period of 2 years, covering 6 districts with 25 kiosks from each and based on detailed survey on target groups (kiosk operators and kiosk customers/villagers) by taking up 3 districts per quarter i.e each set of 3 districts covered for impact assessment after every six months. The Districts covered were Sonitpur, Golaghat, Lakhimpur (all 3 from Assam), Sirsa (Haryana), Bareilly (U.P.) and Madhubani (Bihar). The survey methodology included sampling plan, administering the questionnaire(s) designed for the target groups and to analyze the data collected towards the study objective. With the study in its last leg, this research project has not only provided the analysis on impact and insights on those kiosks and their customers for initiating preventive/corrective measures, where needed, but also has helped the implementing partner (Drishtee) on improving its kiosk-sustainability model, and thus benefiting villagers and kiosk operators (village entrepreneurs) on sustained livelihood.

**Operation Chetna:** This project implies Meetings and Family Meetings for all the Kiosks of Drishtee on an ongoing basis. Once Drishtee implements 40 kiosks in a particular District the task of direct Promotions to the rural target communities is taken up by the community mobilizers of Drishtee Foundation. The idea is to promote the concept of service-delivery through ICT and use of Drishtee Kiosks by the villagers so as to maximize on the availability of the opportunity and growth prospects through the Drishtee efforts. This also adds to the viability of the model.

**Open Knowledge Network:** Open Knowledge Network' (OKN) is an ICT based content management project, operated and managed by by Drishtee Foundation in collaboration with OWSA (One World South Asia), aims at setting-up and running OKN Content Management Hubs with Access Points (rural kiosks) deep in the villages of rural India to collect, edit and share local knowledge (contents) among local people in local language by networking among local knowledge workers; and disseminate OKN Content through electronic and print media in rural areas. Thus OKN enhances communication opportunities, using ICTs, for rural people at the grassroots level and facilitates social and economic empowerment of rural communities.

Implementation is being done at the Drishtee Kiosks in 3 districts, Madhubani (Bihar) and Sirsa & Fatehabad (Haryana). To achieve the content management channel through the Kiosks and also ensuring the sustainability of the whole effort, Drishtee Foundation took this up after a Need Assessment Survey exercise.

This Survey was conducted by Drishtee Foundation to understand the relationship between people and Kiosk, Content/information that is required by the community, the sustainability options and the on effectiveness of above service in the target community. Next step was to effectively deploy the OKN Hubs at the district level - for content editing and management and the Access Points/ Kiosks at the village level. There were efforts taken to build the capacity of the participants of the channel so as to effectively manage the OKN Contents generation and dissemination, using ICT, on a sustainable basis. Later, Open eNRICH - an open source software tool was introduced to enhance productivity in local content generation and dissemination as-well-as facilitate ICT-enabled peer-to peer learning and grassroots advocacy in other parts of the country.

For wide dissemination of knowledge/contents among rural community, Drishtee Foundation has brought out a monthly magazine “DrishteeKon” for knowledge sharing and creating awareness towards diverse issues related to health, development opportunities, education, women empowerment, ICTs and their beneficial uses. Soon an electronic media publication named “e-Zine” will be released to cater the need of NRI and Urban population on contents/information on rural areas, where they have their roots and like to understand more.

***Need/Demand Assessment Survey for setting up e-Gov Centres and Rural ICT Kiosks in Districts:*** In an effort to leverage ICTs and provide citizens (urban and rural) the e-gov. services and other services/information that benefits them, Drishtee Foundation had carried out need assessment surveys in various districts to assess the viability of setting up of the following service centres:

Single-window e-Governance Centres (called E-Prashasan Kendra or EPKs) at District/Tehsil level to provide timely and hassle-free G2C Services to citizens, using ICT and customized application software.

Rural ICT Kiosks (called ‘Drishtee Soochnalaya’) or Service Delivery Centres at the Panchayat/village level to provide both gov. and commercial services to rural community.

With the District Administration Authority (for e-Gov. Centres) and other implementing Partner like IFC and Drishtee (for rural ICT Kiosks), as project partners, this project is located in Bhojpur, Ranchi and Deogarh ( Bihar & Jharkhand states), Sonitpur, Morigaon, Nalbari, Lakhimpur, Kamrup, Sivasagar, Golaghat, Nagaon, (Assam), Kapurthala (Punjab), Udaipur and Dangarpur (Rajasthan),

***Baseline and Impact Assessment Survey on Rural ICT Kiosks:*** In partnership with IFC, Baseline Surveys followed by Impact Assessment Surveys on Rural ICT Kiosks were also carried out by Drishtee Foundation at gram-panchayat level in various districts.

The baseline survey primarily aimed at identifying the suitable parameters and assessing the kiosks in terms of its acceptability, kiosk-services demand, kiosk performance and problems related to kiosk business and services promotions against the back-drop of the socio-economic characteristics of their GPs and community needs. Impact Assessment surveys were carried out on the same GPs and their kiosks, after a gap of around 6 months, to understand and assess the impact of deployed rural kiosks on villagers and how well it met their expectation as-well-as on kiosk’s sustainability issues; apart from gauging the footfall at kiosks, customers satisfaction level, problems/issues on services/support and their expansion plan.

***Village Computing Project - Village Information Service Provider (VISp):*** The objective of this project, being implemented in partnership with the Grameen Foundation, is to pilot a revenue-sustainable ICT model

The role of Drishtee and Drishtee Foundation was towards Project Consulting, Software Support and Knowledge Transfer. The target groups were,

micro credit Self Help Group beneficiaries, mostly women. The project was located in

Trichy ( Tamil Nadu ). The projects in this category are the following:

- 1) Role of ICT in agriculture
- 2) Using ICT as a tool for Promotions
- 3) Training and Implementing Women Entrepreneur Owned ICT Centres (300 in numbers) in various parts of the country
- 4) ICT Center Set Up Pilot in West Bengal

## XIV. PRADAN

PRADAN (Professional Assistance for Development Action) is a non-government, non-profit organisation that works with India's rural poor. Across seven of the poorest states in the country, PRADAN promotes Self-Help Groups; develops locally suitable economic activities; mobilises finances; and introduces systems to improve livelihoods of the rural poor and sustain their progress.

The group comprises of university-educated individuals motivated to use their knowledge and skills to address the issues of rural poverty by working with the people at the grassroots. While working towards enabling the rural poor, PRADAN collaborates extensively with government agencies, banks, market institutions, panchayats, other voluntary organisations, and research bodies.

PRADAN has significant and wide-ranging experience in promoting livelihoods with the rural poor, through an approach that blends the socio-behavioural with the technical and managerial dimensions.

PRADAN'S livelihood programmes can be broadly classified into the following sectoral activities:

**1. Promotion of SHGs :** PRADAN is one of the pioneers in the promotion of Self-Help Groups (SHG) in India, having formed its first SHG in Alwar, Rajasthan, in 1987. A savings and credit SHG is a simple yet effective way of reaching out and connecting with rural poor women.

Nurturing Self-Help Groups of rural poor women is PRADAN's key tool in fulfilling its mission and goals. The Self-Help Groups work for the women in a number of ways: they provide guidance; they give support and assistance to women; and they identify and promote home-based enterprises among its members. These home-based enterprises, called "honeybee activities", involve a myriad of ventures. The SHG members take loans from the SHGs and set out to begin an enterprise of their own. As of March 2009, PRADAN has worked with some 11,406 SHGs across eight states, representing a total membership of 150,349 rural poor women. These SHGs have mobilised a total savings of 459 million Rupees.

As a result of PRADAN's intervention efforts, an increasing number of rural families – especially women – are engaging in independent livelihood activities. These activities serve as opportunities for diversifying and enhancing their incomes.

The agency gives particular attention to women because even as they comprise half of the country's population, they remain the most disadvantaged sector among the poor. Yet it is the women who prove to be most effective in fostering change in their families and communities.

With PRADAN's guidance and the members' own experiences, SHGs can potentially play four key roles through the different stages of evolution: mutual help, financial intermediation, livelihood planning, and social empowerment.

Also significantly, the financial accounting and Management Information System (MIS) of PRADAN's SHG programme has been streamlined by the innovative system of community-based accounting through the Computer Munshi System.

**2. Forest-based Livelihoods :** This NGO works mostly with Adivasis and poor people who live near forests for whom forests and trees have, traditionally, been an important source of livelihood. Over the years, dwindling forests and the implementation of protection-oriented public policies have made serious inroads to these livelihood activities, resulting in decreased incomes for the local communities.

PRADAN's forest-and tree-based livelihood interventions in Jharkhand and Orissa comprise of Tasar cocoon production, Lac cultivation and production, and trading of Siali leaf plates. Farm forestry has also been taken up as part of a programme on integrated natural resource management. In all, there are some 7,683 families who are involved in these various activities.

In its activities, PRADAN is supported by, and works in close association with various government departments such as the Ministry of Rural Development, the Department of Agriculture and the Ministry of Textiles, and a number of resource institutions such as the Central Silk Board and the Indian Lac Research Institute.

**3. *Natural Resource Management:*** A vast majority of the rural poor continue to be dependent on land and water resources for their meager livelihoods. Sadly, however, various phenomena including deforestation, drought and soil erosion have resulted in decreased incomes for these families. Chronic poverty persists.

Thus PRADAN devotes a significant part of its intervention efforts on developing land and water resources. The aim is to enhance productivity, incomes and sustainable livelihoods.

Towards this objective, PRADAN promotes the Integrated Natural Resources Management (INRM) of land, water, forest and biological resources to achieve and sustain potential agricultural productivity. INRM combines managing the use of natural resources along with their conservation and sustenance.

Programmes comprise of enhancing productivity in agriculture; diversifying into new crops; setting up irrigation systems; and instituting entirely new ways of managing the natural resource base.

**4. *Livestock Development :*** PRADAN works with rural families in the promotion of dairy and goat rearing activities in the project areas of Jharkhand, Orissa, and Rajasthan. While livestock populations in these areas are higher than the national average, productivity is low, rearing practices remain poor, breeds are non-descript, veterinary services are non-existent, and market infrastructure is often absent.

Yet dairy and goat rearing possess tremendous promise as livelihood supplements for the rural poor in these areas. Thus PRADAN seeks to help bring in better-quality breeds, veterinary care, while at the same time developing a reliable cadre of village-based service providers and marketing systems. Specifically in Rajasthan and Jharkhand, PRADAN is expanding its outreach programmes with support from various quarters like the government, financial institutions, and various resource institutions such as the National Dairy Development Board (NDDB) and the Indian Veterinary Research Institute (IVRI).

**5. *Microenterprise Promotion :*** In the project areas, land, water, livestock, and forests remain the main sources of livelihood that are available to the rural poor. Most families depend on agriculture for their meager incomes.

But with continually diminishing outputs and declining farm sizes, it has become more urgent for the rural population to diversify their avenues of income. This necessarily involves introducing them to emerging home-based microenterprises. The aim is to take advantage of the rising demand for newer goods and services, which provide livelihood opportunities outside traditional farming. This NGO promotes home-based microenterprises such as poultry rearing, Tasar yarn production, vermi-composting, mulberry sericulture, and cultivation of oyster mushrooms.

## XV. BASIX

BASIX is a livelihood promotion institution established in 1996, working with over a million and a half customers, over 90% being rural poor households and about 10% urban slum dwellers. BASIX works in 15 states - Andhra Pradesh, Karnataka, Orissa, Jharkhand, Maharashtra, Madhya Pradesh, Tamilnadu, Rajasthan, Bihar, Chattisgarh, West Bengal, Delhi, Uttarakhand, Sikkim and Assam and over 22,400 villages. It has a staff of over 5,400 of which 80 percent are based in small towns and villages.

BASIX mission is to promote a large number of sustainable livelihoods, including for the rural poor and women, through the provision of financial services and technical assistance in an integrated manner. It also strives to yield a competitive rate of return to its investors so as to be able to access mainstream capital and human resources on a continuous basis.

Its motto, "Equity for Equity" means that BASIX attempts to use capital (financial, human, social and natural capital) to work towards bringing equality of opportunity and social justice in society, globally.

### Services

BASIX claims to provide a comprehensive set of livelihood promotion services to rural poor households under one umbrella. The BASIX Livelihood Triad includes the following services.

The Livelihood Triad strategy is rationalised as follows: Micro-credit by itself is helpful for the more enterprising poor people in economically dynamic areas. Less enterprising poor households need to start with savings and insurance before they can benefit from micro-credit, because they need to cope with risk. However, in backward regions, poor people, in addition to microfinance, need a whole range of agricultural/ Business Development Services (productivity enhancement, risk mitigation, local value addition, and market linkages) need to be provided. To offer these services in a cost-effective manner, it is not possible to work with poor households individually and they need to be organized into groups, informal associations and sometimes cooperatives or producer companies. The formation of such groups and making them function effectively, requires institutional development services.

**Financial Inclusion Services (FINS)** – are provided to fulfill working capital & investment needs of the clients – the poor household. It includes savings, credit – short term and long term, insurance for lives and livelihoods, fund transfers, commodity derivatives, financial orchestration – ranging from grants to equity for livelihoods.

**Agriculture and Business Development Services** aim to strengthen the livelihoods of the rural poor and women by identifying the sub sectors on which a significant number of people are engaged and institutionalize the services to work on the gaps identified. The services include productivity enhancement, mitigating the risks associated, facilitating the Input/Output linkages and value addition to ensure a fair return to the farmer/customer.

The guiding principle for the Ag/BDS is quality service to the customer, which would transform our efforts in to a meaningful increment in their livelihoods.

### Institutional Development Services

Institutional Development as understood in BASIX, is a conscious attempt to evolve and reinforce a set of behavioral norms and processes for an informal or formal group of people to interact and transact in a sustainable manner, to achieve the purpose for which the group came together.

Given that most poor people are isolated and dispersed, it is necessary to organize and strengthen institutions of producers / communities including of the poor and women, so as to enable access to livelihood promotion services in a cost- effective and integrated manner, directly or by collaborating with agencies that promote livelihoods for a large number of people. Institution building thus forms an integral part of the BASIX Design

<b>FINANCIAL INCLUSION SERVICES (FINS)</b>	<b>AGRICULTURAL/ LIVESTOCK/ BUSINESS DEVELOPMENT SERVICES (Ag/BDS)</b>	<b>INSTITUTIONAL DEVELOPMENT SERVICES (IDS)</b>
Savings (only in three districts where we have a banking license), elsewhere thru banks	Productivity enhancement through increase in yields or reduction in costs	Individual level awareness, skill and entrepreneurship development, building solidarity and trust
Credit: agricultural, allied and non-farm, short and long-term	Risk mitigation (other than insurance)	Formation of groups, federations, cooperatives, , etc. of producers
Insurance, for lives and livelihoods – health, crop, livestock, micro-enterprise assets	Local value addition	Accounting and management information systems, using IT
Money transfer, for migrant workers Commodity derivatives (in future)	Alternate Market linkages - Input supply, output sales	Building collaborations to deliver a wide range of services
Financial orchestration (arranging funding from various sources)	Diversification from farm to allied and non-farm activity	Sector and Policy work – analysis and advocacy for Changes/reforms.

& Strategy. BASIX attempts to do this in two ways: 1) through its own companies- BSFL and KBS LAB;and2) by working with other livelihood promotion organizations.

### **Action Research in Livelihoods**

Indian Grameen Services (IGS) undertakes action research (AR) along various sectors / vectors to identify mechanisms of enhancing the income of the poor from their livelihood portfolio or retaining a larger part of the amount spent by the customer. The action research by AG/BDS SBU is aimed at developing products contributing to productivity enhancement; risk mitigation and ensuring higher return by value addition services and/or facilitating input/output linkages. The sub-sectors are Cotton, Paddy, Vegetables, Mushroom, Lac, Brass/Bronze, Bamboo, Tasar, Dairy and Handloom. The vectors included Organic farming, Water (Irrigation for small farmers), Credit (Loan product for tribal) and Retailing.

### **Policy and Sector Initiatives**

Since its inception, BASIX has been engaged in policy research and advocacy work, as a necessary complement to its direct operations of livelihood promotion. The objective was to influence public policy, so that the

livelihood mission of BASIX could be achieved indirectly as well, through the growth of the sector to reach a larger numbers of poor people. This work also enables BASIX staff to keep abreast of the cutting edge issues involved in rural development and livelihood promotion on a continuous basis.

### **Consulting Services**

The consulting services business unit strive to offer quality services that will command the approval of the national and international community which it want to serve: Its goals include: 1) leveraging the experience and learning of BASIX to make an effective contribution to the livelihood sector in particular and rural development sector in general; and in the process, strengthen the knowledge and human resource base of BASIX by engaging with different types of consulting assignments and stakeholders; 2) establishing as a credible and prominent player in development consulting nationally and internationally; and 3) generate revenues from consulting assignments to provide the BASIX group sustainability and flexibility to work on creative and innovative ideas.

BASIX offers a diverse set of services within consulting, ranging from policy research to hand holding support. The methodology we use for each assignment varies from case to case. It is a function of the nature of the assignment, the clients' expectations, and our own assessment of the best way to handle the project at hand. Its focus areas are guided by issues which have a significant bearing on Livelihoods. The critical issues impinging on Livelihoods vary between rural and urban areas, and between areas with different natural resources or quality of infrastructure. The Consulting services therefore engages in wide range of support, ranging from Ag/BDS services (agri-business development), IDS (institutional development services), IT solutions (information technology), to vector support such as credit and rural energy.

## **XVI. ENTREPRENEURSHIP DEVELOPMENT INSTITUTE OF INDIA**

The Entrepreneurship Development Institute of India (EDI), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions, namely the IDBI Bank Ltd, IFCI Ltd, ICICI Ltd and State Bank of India (SBI). The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950. The Government of Gujarat pledged twenty-three acres of land on which stands the majestic and sprawling EDI campus.

### **Recognition from UN-ESCAP, Bangkok**

The EDI has been selected as a member of the Economic and Social Commission for Asia and the Pacific (ESCAP) network of Centres of Excellence for HRD Research and Training.

EDI as a member of the Network will have interactive access to information on other 123 member institutions via Internet. The database on the Network is included in the ESCAP HRD Homepage ([www.escap-hrd.org](http://www.escap-hrd.org)) on the Internet. EDI will also be invited to collaborate with ESCAP in the development and delivery of a series of ESCAP HRD courses to train social development personnel working to alleviate poverty in the region. Further, EDI as a member will also be invited to nominate their personnel to participate in a series of ESCAP HRD courses for poverty alleviation, starting in 1998.

An acknowledged national resource institution, EDI is committed to entrepreneurship education, training and research. The institute strives to provide innovative training techniques, competent faculty support, consultancy and quality teaching & training material. EDI has been spearheading entrepreneurship movement throughout the nation with a belief that entrepreneurs need not necessarily be born, but can be developed through well-conceived and well-directed activities. In consonance with this belief, EDI aims at : creating a

multiplier effect on opportunities for self-employment, augmenting the supply of competent entrepreneurs through training, augmenting the supply of entrepreneur trainer-motivators, participating in institution building efforts, inculcating the spirit of 'entrepreneurship' in youth, promoting micro enterprises at rural level, developing and disseminating new knowledge and insights in entrepreneurial theory and practice through research, facilitating corporate excellence through creating intrapreneurs (entrepreneurial managers), improving managerial capabilities of small scale industries, sensitising the support system to facilitate potential and existing entrepreneurs establish and manage their enterprises; and collaborating with similar organisations in India and other developing countries to accomplish the above objectives. EDII's basic strategy to realise its mission has been to concentrate on some broad areas to achieve its objectives. The areas so selected have to satisfy the twin criteria of social relevance and the institute's capability.

## **XVI. DATAMATION FOUNDATION**

Datamation Foundation is a non-profit, apolitical, non-partisan registered Charitable Trust (Trust Deed # 3258 dated March 8, 2001) with its head office at Delhi. The Foundation has been actively engaged in advocating, designing and implementing innovative Information and Communication Technology-enabled initiatives to help meet Millennium Development Goals (MDGs): eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowerment of women, reducing child mortality

improving maternal health, combating HIV/AIDS, malaria and other health disorders, ensuring environmental sustainability; and developing a global partnership for development

The Foundation targets women, economically and socially disadvantaged communities and youth in India and other developing countries. Gender equality, youth empowerment and poverty alleviation dovetailed with the MDGs are the main goals of the Trust.

The key objectives of the organisation are:

Helping the 'unreached' by enabling them to realize their potential.

- 1) To generate employment opportunities in the rural areas for the 'unreached' and economically and socially 'disfranchised' by providing technological, social and administrative solutions for sustainable deployment of Information and Communication Technologies (ICTs) via Community Multi-Media Centers (CMCs) and Information Kiosks (IKs) in innovative ways.
- 2) To partner with various international development agencies and donors apart from private sector and Civil Society Organizations (CSOs) for the deployment of innovative, 'pro-poor' ICT solutions.
- 3) To relentlessly pursue path-breaking objectives and programs targeted towards gender and youth in the areas of :
  - o Violence against women including trafficking, bonded labor and dowry
  - o Selective sex abortions and Female Foeticide
  - o Poverty alleviation by ensuring livelihoods
  - o Empowerment of women

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# ANNEXURES

## LIST OF INTERNATIONAL AND NATIONAL ORGANISATIONS

Concern Worldwide India	PlaNet Finance India
CORDAID	Sehgal Foundation
Acumen Fund	TNS India
Aide et Action	Louis Berger Group Inc
Centre for Innovation and Entrepreneurship	MarketRx
Deloitte Haskins and Sells	ORBIS International
Dr.Reddy's Foundation	Microfinance Innovation Center for Resources & Alternatives
ICRISAT, International Crops Research Institute for the Semi-Arid Tropics	Cross Language Evaluation Forum
Infotech, Hyderabad	International Training Centre, ILO
International Institute of Information technology	Accion International
Swayam Krishi Sangam(SKS Foundation)	Dell India Ltd
Youth Employment Summit	Deshpande Foundation
The MaxWealth Trust	EC Technical Assistance Team
North East Network	Geneva Global Inc.
The Asia Foundation	IBM
Grameen Phone Limited	Microsoft Winclient Research Extension Team
Organization for Social Development of Unemployed Youth	PricewaterhouseCoopers (PwC) India Pvt Ltd.
Prochesta	Small Scale Sustainable Infrastructure DevelopmentFund
Tarayana Foundation	Green Peace India Society
ACTED	GE India
Pathfinder International	Leonard Cheshire International, South Asia Region
Mynmar India Entrepreneurship Development Centre	MphasiS an EDS Company
The Indus Entrepreneurs (TiE)	Centre for Environment and Development
Clippis AG	International Network on SMEs in Local Economic Development- India
Fairtrade Labelling Organizations Intrenational e.V.	BCL/BCCT
Aga Khan Foundation (India)	AIIESEC India
Aga Khan Rural Support Programme (India)	Citi Microfinance Group, Citibank N.A.
Amber Ashraye Mahila Benefit Association	Fullerton India
CHF International	International Institute of Social Entrepreneurship Management
Cluster Pulse	International Resource for Fairer Trade (IRFT)
Sense International (India)	Oasis India
Karmanya	Rabo Bank
Adventist Development and Relief Agency (ADRA)	TIE Stree Shakti (TSS)
Alcatel-Lucent	Wadhvani Foundation
Microsoft India Pvt Ltd	World Vision India

Zensar Technologies	Skoch Development Foundation
Vedanta Resources PLC	SMEC International Pvt. Limited
Synovate Ltd.	Swiss Agency For Development & Cooperation
Peta (People for the Ethical Treatment of Animals)	The Energy and Resources Institute (TERI)
Fidelity Investments	The World Bank
Grameen Capital India	Tradecraft Exchange
Mrwed	UNIDO - Cluster Development Programme
OLAWA	Voluntary Services Overseas
Pelangi Community Foundation	Winrock International India (WII)
Oxfam Novib	World Bank/IFC
ActionAid India	World Food Programme
All India Association for Micro Enterprise Development (AIAMED)	WSP – SA
American India Foundation	Christian Aid
ASEM	Society for Participatory Research in Asia (PRIA)
Asian and Pacific Centre for Transfer of Technology	South Asia Regional Initiative/ Equity Support Program (SARI/Equity)
Asia-Pacific Centre for the Transfer of Technology (APCTT)	The Energy Research Institute
Canadian International Development Agency	UNDP-GEF SGP
Centre for Trade and Development (CENTAD)	USAID
Deloitte Touche Tohmatsu India Private Limited	WSP
DFID India	SUSTAINET- GTZ
European Commission Technical Assistance	Sphere India
Food and Agriculture Organization (FAO)	Sona Koyo Steering Systems Ltd.
Ford Foundation	Scott Wilson India Pvt.Ltd
Freedom from Hunger	Schneider Electric India Private Limited
German Technical Cooperation (GTZ)	Gutenberg Communications
IFAD	McCANN Erickson (India) Pvt. Ltd.
India Canada Environment Facility	OneWorld South Asia
Intellectap	Clinton Foundation
International Development Research centre	CARE India (Orissa)
International Labour Organization	HOPE Foundation
INWENT	Indo European Chamber of Commerce & Industry
JICA	International Institute for Non Aligned Studies
KFW-German Development Bank	The Hunger Project
Nand and Jeet Khemka Foundation	BGCH
Netherlands Busines support Office	CAIRN Energy
Oxfam GB India	CUTS CITEE, Jaipur
Oxfam India	SSKS
Plan India	Centre for IT Services
Resource Center on Participatory Learning and Action (RCPLA)	CSC
	Shalom Trust

Novaterra Fondation	World Food Programme
CCF Sri Lanka	Constella Futures
Blue orchard investment	GfK Mode Pvt Ltd
Credit Suisse	ITC : e-Choupal
Inter- co operation	Trickle up
Schwab Foundation for Social Entrepreneurship	SREI Infrastructure Finance Ltd
Imagination	Charity Microproject and Consultancy Network
The Catalyst Trust	BigLeap
Just Trust	ECONET
Sigma Data & Computers	HP Entrepreneurship Learning Programme
B.P foundation/Kusuma Trust	IFES India
Consumers International	Institute for Global Environmental Strategies (IGES)
Enterplan Limited	Intermón Oxfam
ETS consultants	South Asian Village Empowerment Intl.
PitchIndia	We the People
Rajiv Gandhi Centre for Innovation and Entrepreneurship	VIA Technology Inc.
Skoll Foundation for Social Entrepreneurship	UNAMID
TDK	SOMEF
Enterprise Strategies and Solutions Inc	Solutions Continuum
Aceh Relief	IFAD/WFP
Center for Global Peace	SASTECS
Center for Occupational Research and Development	German Agro Action/ Deutsche Welthungerhilfe (DWHH/GAA)
Friend without A Border	Gerster Consulting
Grameen Foundation- USA	Global Environment Facility Evaluation Office
Kickstart International	Global ICT
Mann Deshi Mahila Bank/Bonneville Power Administration	GLOBALNEWSNET
Microfinance Management Institute	GVS
MicroVest Capital Management LLC	CENHUD
Poverty Action Lab, MIT	Levy Economics Institute
Stevens Institute of Technology	MRDF
Technetra Corp	Public Action
The QED Group, LLC	Ecumenical Church Loan Fund of India (ECOLOF)
BITSAA Centre for Entrepreneurship and venture Capital (CEVC)	EdelGive Foundation (the not-for-profit subsidiary of Edelweiss Capital Ltd.)
Cities Alliance	Action for Welfare and Awakening in Rural Environment (AWARE)
HDNSP - The World Bank	ALC India
Financial Management Service Foundation	Alternative Development and Relief Agency (ADRA), India
Micro Save India	BASIX - Indian Grameen Services (IGS)
World Association of Small and Medium Enterprises	
CECI	

Centre for Handloom Information and Policy Advocacy	The Association of People with disability
ICFAI Centre for Entrepreneurship Development	Wipro Ltd.
ICICI Knowledge park	Wockhardt Ltd.
Indian School of Business	Institute of Small Enterprises and Development, Cochin
Institute of Public Enterprise	SkillPro Foundation
Institute of Resource Development and Social Management (IRDAS)	Xavier Institute of Development Action & Studies, Jabalpur
Integrated Development Through Environmental Awakening (IDEA)	Accenture India
International Advance centre for Powder Metallurgy and new materials	Agricultural Finance Corporation Ltd.
National Institute for Smart Government (NISG)	Axis Bank
ShareMicro Fin	Bharatiya Jain Sanghatan(BJS)
SKS Microfinance Pvt. Ltd	CRISIL
Bharatiya Samruddhi Finance Ltd (BASIX)	Development Credit Bank Ltd
Centre for Good Governance (CGG)	HDFC Bank Ltd
TARU Leading Edge Pvt. Ltd.	ICICI Bank -Social Initiatives
SRISTI Foundation	ICRA Management Consulting Services Limited
XLRI Jamshedpur	Jan Shikshan Sansthan(JSS)
XLRI School of Business and human Resources	Laghu Udyog Bharati
Centre for Research in Rural & Industrial Development (CRRID)	Narsee Monjee Institute of Management studies
Entrepreneurship Development institute of India	Sir Dorabji Tata Trust
Friends of Women's Banking	Sir Ratan Tata Trust
Gujarat Institute of Development Research	SME Global Forum
Indian School of Micro finance for Women	Tata Council for Community Initiatives
National Innovation Foundation	ACCESS Development Services
The Indian School of Microfinance for Women	AFPRO
GIAN (GUJARAT GRASSROOTS INNOVATIONS AUGMENTATION NETWORK)	All India Federation of Plastic Industries
India Development Foundation	Amity Institute of NGO Management
Management Development Institute	Amity University, Delhi, India
Xavier Institute of Social Service	ASHOKA Innovators for the Public
St.Xavier's college,ranchi	Ashoka Trust for Research in Ecology & Environment (ATREE)
Indian School of Livelihood Promotion	Asian Society for Entrepreneurship Education & Development (ASEED)
Institute for Social and Economic Change	Association of Voluntary Agencies for Rural Development (AVARD)
IT for Change	Bharatiya Yuva Shakti Trust
Lagu udyog Bharathy	Business bhaskar (dainik bhaskar group)
M.V. Foundation	CAPART
Manipal Institute of Management	Center for Policy Research
RUDSETI	Centre for Civil Society
	Centre for Policy Research

Confederation of Indian Industry	KIIT School of Rural Management, Bhubaneswar
Consortium of Women Entrepreneurs	NALCO
Development Alternatives	XIMB
Digital Empowerment Foundation	XIMB-Cenderet
Fair Trade Forum	Aagaz Foundation, Punjab
Federation of India Women Entrepreneurs	Social Work and Research Centre
Federation of Indian Chambers of Commerce and Industry	Sikkim Manipal Institute of Technology
Federation of Indian MSME	ASSEFA
FICCI Ladies Organisation	Center for Microfinance, Chennai
Foundation of MSME Clusters	DHAN Foundation
IFFCO Foundation	ICICI Foundation
IIFT SME Centre	Institute for Financial Management & Research
IL&FS Cluster Development Initiative	M S Swaminathan Research Foundation
Indian Society of Agribusiness Professionals (ISAP)	P.S.G College of Technology
Institute for Economic Growth	Rural Innovation Network
Institute of Studies in Industrial Development	TeamLease Services Private Limited
National Bamboo Mission	Birla Institute of Management and Technology
National Foundation for India	Centre for Environment, Social and Economic Research (CESER)
Partners in Change	Drishtee foundation
Poorest Areas Civil Society (PACS)	IMT Ghaziabad
PRADAN	J.S.S Academy of Technical Education
Rai Business School	Microsave India
Sa-Dhan	Tata Chemicals Limited
Smile Foundation	ICFAI Business School, Gurgaon
Tara (Trade Alternative Reform Action) Projects	Ashoka India
The Associated Chambers of Commerce and Industry of India (Assocham)	Bhoruka Public Welfare Trust
WomenPowerConnect (WPC)	Indian Council for Small Industries
National Campaign Committee For Unorganised Sector Worker	ITC Limited
The Indian Trust for the Welfare of the Tribals	St. Xaviers College, Mumbai
The Network Enterprises Fund	
Dazasya (a place for an NGO)	
Stadd Development Consulting Pvt. Ltd.	
Society for Promotion of Youth and Masses (SPYM)	
Social Watch India	
King Stubb & Kasiva - Advocates & Legal Consultants	
Max New York Life Insurance Co Ltd.	
Engineers India Limited	
Asian Institute for Rural Regeneration	

## INTERVIEW SCHEDULE FOR ORGANASATIONS

### I General Profile

1. Name of Organization :
2. Year of Commencement :
3. Registration Status : Society/ Trust/ Others
4. Membership Clause :
5. Administration Clause :
6. No. of Original Members :
7. First Chairman/ Patron/Mentor :
8. Present Chairman/ Patron :
9. Original Membership strength :
10. Present Membership strength :
11. What is the specific criteria of new membership. :
12. Categories of members : Individual/ Corporate/ Others.
13. Goal :
14. Objectives :
15. Motto of the organization  
(In less than six words)
13. Key Activities :
- (1)
- (2)
- (3)
- (4)
- (5)

- 14. (a) In which activity do you consider yourself to be most proficient? :
- (b) Reason :
- (c) Sources of strength :

**II Operational Details**

- 1. Original Activities** :
- 2. Original Corpus Funding** :
- 3. Details of Current Programme** :

Sl.No	Programme Areas	Source of Funds	No.of Beneficiaries	Recurring/ One time (Period)

- 4.. Annual Budget (last 3 years)**
- 5. Major sources of Government funding (last 3 years)**
- 6. Major sources of private funding**
- 7. Suggestion for additional resources, if any**

### III Partnerships

(1) Which are the organizations with whom you partner with?

<b>Organisation</b>	<b>Nature of Partnership</b>	<b>Resources</b>	<b>Recurring/ Non-recurring</b>	<b>Problems faced</b>
<b>Corporates</b>				
<b>Donor Organisations</b>				
<b>Government</b>				
<b>Other NGOs</b>				
<b>Others</b>				

(2) Do you think that partnerships have helped the organization to grow? Yes/No

(3) If yes how?

- (1) Financial Resources
- (2) Enhancement of capabilities
- (3) Networking opportunities
- (4) Goodwill
- (5) Others

(4). What is your key preference in resource mobilization/ programme development.

- (a) Working with Government.
- (b) Working with Corporates.
- (c) None.

Please give reasons.

IV Capabilities and Resources

(1) Human Resources

Category	Number
Executives	
Field Staff	
Professional Staff	

(2) Infrastructure

Category	Facilities Available
(a) Library (No. of Books)	
(b) Resources Centre	
(c) Equipments	
(i) Fax (ii) Leased Line internet (iii) Vehicles	

(3) Partnerships

Name	Nature of Partnership	For How Many Years	Form of Assistance

(4) Do you engage in some income generating activities? Please specify.

(5) Who are the beneficiaries of such income generating activities?

## V. Areas of Proficiency

Areas	Order of Priority	No. of Clients Serviced Last Year	Source of Finance	Problems
Microfinance & Livelihoods				
Technology				
Research and Policy Support				
(a) Field Work (b) Research Projects				
Marketing				
Training Entrepreneurship				
Lobbying Business – related services				
Others				

1) What are your concrete outputs/ services ?

- (a) Mobilisation Training/ Capacity development.
- (b) Consultancy services/ monitoring.
- (c) Marketing assistance.
- (d) Research/ documentation/advocary.
- (e) Lobbying.

Please give a detailed note, if needed.

VI Growth Perspectives

- (1) How does the organization make a difference through its positive impact on sustainability?
- (2) Summarize the organization’s accomplishments?
- (3) How sustainability principles are promoted within the organization?
- (4) Please make a summary of impact achieved.
- (5) Do you have a corpus fund for your organization ?  
How was it created ?

VII Linkages with Government Departments/  
Other Public Agencies

- 1) Did you have any links with government agencies during last five years? Yes/ No
- 2) If Yes, please give details:

Name of Agency	Name of Programme	Nature of links (funding/ others)	Recurring/ Once for all	Beneficial/ Not beneficial	How?

- 3) If No, please give details:
- 4) Which are the programmes in which you think you can contribute through collaboration.

Programme	Inputs			Constraints
	HR	Goodwill	Grass root Linkages	

## **VIII. Accreditation and Monitoring System**

1. What is the key source of credibility of the organisation?
  - (1) Do you have accreditation with any government agency or professional bodies (Details)?
  - (2) Facilities for internal monitoring?
  - (3) Do you have accreditation with any apex body?
  - (4) If yes, does the above accreditation help you to enhance your credibility?
  - (5) If no, do you think that accreditation is not necessary?
  - (7) How often did the Board of Directors meet last year?
  - (8) Do you think that a single point registration of all NGOs are beneficial ?  
Please explain.
  - (9) Audit Period.
  - (10) When was the last audit held?
  - (11) How do you monitor, measure and evaluate success?
  - (12) How do you collect external feedback on your organization ?

## **IX Comments and Suggestions**

**Checklist 1**

**DONORS/MOTHER ORGANIZATIONS**

1. Mandate areas of the Organization :
2. Countries of operation :
3. Operational states within India :
4. Thrust areas in enterprise/ livelihood :
5. Mode of partnerships :
6. Details of specific programme agreements :
7. Period of agreement :
8. Number of partners within India :
9. Priority areas of each partner (details)
10. Overall comments on capabilities of such partner organizations
11. New areas of capacity enhancement suggested :
12. How old is the partnership in Livelihoods/ entrepreneurship :
13. What is your experience in capacity building of the partner organizations :
14. Feedback on sustainability of existing partnership programmes :
15. Suggestions for improvement of such partnership :
16. Suggestions on professionalisation of voluntary organizations :
17. Suggestions on Monitoring and accreditation :
18. Views on National Policy on Voluntary Sector: How can be policy be operationalised ?
19. Strategies recommended by you in order to make the policy truly Operational :
20. Areas in which synergy of government and donor programmes :
21. Perspectives on the future role of the Planning Commission :

## *Checklist 2*

### **CORPORATE SECTOR**

1. Name and Address of the company :
2. Product Line :
3. Operational Area / Name of Plants :
4. Major Markets :
5. Focal areas of CSR :
6. Thrust areas in enterprise/ livelihood :
7. What is the business case identified :
8. Mode of Partnerships : working with single NGI/ many NGOs
9. Details of specific programme agreements :
10. Normal period of agreement :
11. No. of partners within India :
12. Priority areas of each partner (details) :
13. Overall comments on capabilities of such partner organizations :
14. New areas of capacity enhancement suggested :
15. How old is the partnership in Livelihoods/ entrepreneurship :
16. What is your experience in capacity building of the partners :
17. Feed back on sustainability of existing partnership programmes :
18. To what extent it enhances viability of the company ?
19. Suggestions for improvement of such partnership.
20. Suggestions on professionalisation of voluntary organizations :
21. Suggestions on Monitoring and accreditation :
22. View on National policy on Voluntary Sector.
23. Strategies recommended by you in order to make the policy truly operational.
24. Key problems faced in your CSR programme.
25. Suggestions on government's potential role.
26. What are the constraints of the tax system which deter CSR initiatives ?  
How they can be improved ?