

## 0206. 1<sup>st</sup> Clarification Letter to lcco (28 May 1992)

*We explain why CCF targets were fixed at Rs 2,000 per Member family, measures taken to explore new forms of enterprise, the growth in activities and budgets, and on local contributions.*

Dear Berry:

Thank you very much for your letter of 12 May 1992 which we have just received.

In this letter we will quickly answer the points you have raised regarding the new proposal. The main reason for this is the urgency in starting Phase II of the Extension Programmes from July 1992. We will then go on to answer all the other points which you have raised in a 2<sup>nd</sup> letter.

### 2.a. CCF Targets

There are many reasons for fixing the CCF targets at Rs 2,000 per member family.

1. In para 7.9. of the project application, we explained how the member coolies planned for this 2<sup>nd</sup> Phase in a 3-4 month grass root exercise. We have also commented that, in our opinion, they had over reached in their economic objectives. This was because the CCF capital they had asked for worked out to about Rs 8,000 per family, which is higher than the available capital in most of the older CSUs of Bagepalli.

Instead of making an arbitrary statement that what they had asked for was far too much, we were able to explain to them that capital alone would not solve their problems and that there were many other prerequisites for promoting entrepreneurship. We were also able to make them appreciate the need for a true revolving fund and slow down the pace from everyone borrowing at the same time.

After a lot of very responsible discussions - I can personally vouchsafe that there was not a shred of bargaining - we arrived at this figure of Rs 2,000 per capita which we all felt was a realistic projection of what their utilisation capacity would be in the next years.

2. The 2<sup>nd</sup> reason is one that becomes apparent now at the time of writing this letter. The credit squeeze which we foresaw has become a very real thing. Institutional finance for crop loans through the co-operative societies is not available since Nabard has not re-financed them this year. While we do not readily have the figures for the 3 other taluks, fresh capital inflow into Bagepalli through the primary land development and commercial banks this year has been a paltry Rs 36 lakhs. Coupled to this is the sudden devaluation of the rupee and the escalating interest costs with rural lending no more being a priority sector for the banks.

As we had already predicted, middle peasants and merchants have completely stopped lending seeds to the poor peasants since they themselves have not been able to obtain fresh capital to rotate, and their high and usurious rates of interest still do not give them sufficient returns for scarce capital.

To us this poses the very grave danger of the increased CCF capital being used by the coolies to merely sustain the existing level of their dry land cropping without venturing into new and alternate forms of enterprise. We confess to not having a ready answer to this problem at this stage, and in any case only experience will enable us to assess the impact of these factors.

3. It is unrealistic to fix figures as ceilings for capital needed for petty entrepreneurship and we question the validity of expert studies made in this regard. We have seen a recent publication from a very responsible policy making organ of the Reserve Bank which says that the capital needed for viable agro related schemes is Rs 6,000 and for rural alternatives to agri-

culture the figure is Rs 35,000. These assertions belie the so many other factors of production and attempt to once again reduce poverty alleviation problems to easily solvable ones in supposedly well planned credit environs.

We believe that there still is a great deal of truth in the theory that a people have to be assisted to reach a take off point from where they can develop themselves. But what is often forgotten is that this point is both, material as well as non material, having credit as well as community organisational implications.

The coolies have to get into the habit of investing and continually rotating capital on ever increasing scales in order to themselves begin to turn the wheels of village production. And the CSUs have a role in promoting and propagating their enterprise, besides checking possible social and environmental excesses which can so easily occur in a situation which so closely resembles laissez-faire.

In this context, we have to view the CCFs and CSUs as mutually complementing entities and not attempt to segment them and apply sectoral expertise to assess either. Structures like the CCF-CSU which we help build have to grow into viability and effectiveness.

#### 2.b. Steps to discover new forms of enterprise

In Bagepalli, over the past few months, very many new forms of enterprise have come up and the coolies have taken CCF loans for a variety of reasons other than for crops. This shows us that they do have a whole lot of other plans which they have kept bottled up for want of capital and support. We expect that the same thing will happen in the Extension Programmes over the next few years.

In the meantime if FAIR can help us make a market survey and suggest other concrete alternatives to agriculture which the coolies have not themselves thought of, we expect that their suggestions will immediately be considered by the coolies of Bagepalli.

Once they have exhausted all the plans that they will themselves come up with, the coolies in the Extension taluks will surely begin to follow the recommendations made by FAIR.

#### 2.c. The growth in activities and budget

The implementation of this II Phase will not be adversely effected due to increased workload at ADATS. The 4 teams that look after each Extension Programme are more or less self contained and the central team is more than able to give them inputs of advice and critical reflection whenever they feel the need.

The setting up of 3 Accounts Admn wings and the recruitment and training of Executive staff for the Extensions are shaping out very well, far beyond our very cautious expectations. And the computerised MIS system is being further developed as per plans.

The NOVIB supported Old and Chelur areas have seen a total staff withdrawal and the last Village Level Workers will be withdrawn from the EZE supported Gulur area by the end of this year. Only 2 Area Field Workers, 2 Executive Field Workers and 1 Veterinarian work full time to directly support the Coolie Sangha functionaries of 124 CSUs to implement various ADATS and BCS activities, with the central ADATS team playing the same role as before.

Even when NOVIB approves our proposal to take up 150 more villages in the Extension areas, we still will not be stretched to the limits of our capabilities.

#### 2.d. Local contributions

It is not easy for us to foresee how much local contributions are going to be mobilised from the government and banks. We are enclosing the statements showing how much, in the coolies' own assessment, they have been able to raise in the past 3 years (para 1.e. of your letter).

I apologise for not having sent you these charts much earlier though they have been ready for a long time.

These village wise statements made by the coolies (we have only given you the consolidated statement for each area) list out all the government benefits which they have received in these past 3 years. Naturally, the CSUs cannot take credit for everything, especially the village amenities which have come in. But it will be fair to say that their lobbying is responsible for their member families and their particular villages getting many of these benefits.

Our reading of the wider situation is that the contributions they will be able to mobilise in the next 3 years will be considerably less. But on the other hand we just cannot foresee what the credit squeeze which we have mentioned in the earlier part of this letter will actually result in.

It is possible that coolie struggle against the State will get intensified with the people rejecting the "inevitability" argument of the rulers after an initial stage of shocked silence. Experience shows us that the major turmoil and disturbances which follow after a brief lull whenever an economy attempts at this kind of "structural adjustment" is largely political in nature. But India has not quite been the basket case that some of these other economies were, and the deliberate creation of a middle class and instilling of bourgeois normative values has been going on for quite some time before the pressure imposed by our external debt.

Under these circumstances we would not dare to hazard even an educated guess as to how much local contributions the coolies will actually mobilise from the government and banks in the next 3 years.

As to the coolie's own contribution in terms of time and money, we believe this will be very high in this next 3 years with the doctrine of self help and entrepreneurship being preached so widely. But once again, while we can monitor and report these contributions we will not be able to forecast them with any logic or honesty.

#### 2.e. Staff problems

As has been clearly pointed out in the project application the Extensions have been plagued with a high turnover of only Field Assistants. Field Workers and village level staff have stayed fairly constant. Right now, all the ADATS/DDS paid Community Workers have been withdrawn and elected Cluster Secretaries have taken responsibilities in Chickballapur, Chintamani and Julapalya.

While it will not be honest to say that everything went well *because* of this turnover, we can still claim that all went well *in spite of it*. 2 senior ADATS staff members who have worked for many years at Bagepalli - Javid and Maggie - now have overall responsibilities for the 150 ICCO supported villages and also the 150 newly taken up NOVIB supported villages of the Extension Programmes as Projects Assistants, while the 7 areas will still have 1 Field Assistant each.

Enclosed please find the information regarding the non-ICCO areas, the list of governing body members, and the financial reports you have asked for.

We are sending this letter off before sitting down to reply to rest of your letter in the hope that the processing of the new project application does not get delayed.

With every best wishes, I remain,  
yours sincerely,

**Ram Esteves**