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Eligibility and Its Assessment in the Small Farmers Programme

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INTRODUCTION

Poverty is widespread in Nepal and the Small Farmers Development Project (SFDP) is one of the most important poverty alleviation programmes in terms of both time and space. About 73 percent of the per capita annual income of US$ 150 is needed simply to meet the very subsistence requirements (ADB/N, 1990). The per capita GDP in 1991 has been estimated at US$ 180 at current prices, one of world's lowest, (World Bank, 1993). The total agricultural production of the country can meet only 90 percent of the subsistence calorie need of the population in an arithmetical sense. About 80 percent of the farm households have less than one half of a hectare of land and are small. About 42.5 percent of the households owns 6.6 percent of the land giving an average of 0.15 hectare per household (APROSC, 1989). Rural poor represents almost 90 percent of the population (APROSC, 1980). About 40 percent of the people live in abject poverty i.e. below the absolute poverty line (ADB/N, 1986). Under-nourishment and living in very poor conditions with bare minimum clothing are very common. The poor live in remote areas, cultivate on steep slopes affected by the vagaries of weather and depend on low producing animals. Children are by necessity forced to labour. Water, fodder and fuel wood are hard to obtain. The poor have weak receiving points and lack institutions and / or mechanisms for targeting services to the poorest (APROSC, 1989). They live with a deep sense of fatalism and hopelessness.

SFDP: A RAY OF HOPE

The SFDP evolved from a recognition of the fact that special efforts are needed to help the poor and disadvantaged. Such a concept and programme began taking shape during 1973-76. The FAO/UNDP regional project called "Asian Survey of Agrarian Reform and Rural Development" (ASARRD) took up the problem and researched on the causes of rural poverty. It organized multi-disciplinary field workshops by involving many agencies at different levels in 9 countries (Bangladesh, India, Indonesia, Korea, Laos, Nepal, Philippines, Sri Lanka and Thailand). In Nepal, the workshop was organized during January 4-14, 1974 (ADB/N), July 1974). Eight field action projects, termed as Action Research Projects, were initiated. Nepal had two such

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projects funded by FAO/UNDP (Bangladesh and Philippines had 3 each). Sakhuwa VDC in Dhanusa district and Tupche in Nuwakot were selected and the projects were established in mid 1975 and early 1976 respectively. The Agricultural Development Bank, Nepal (ADB/N) was entrusted with the execution responsibility. Main objectives of the SFDP include increasing agricultural production of the small farm households, improving the use of available resources including rural skills and improving the quality of life of the rural poor. Irrigation development and improved agricultural technology and social and community level services such as roads and trails, afforestation, drinking water, health and family planning services, literacy programme and education facility are provided. Aspects like sustainability and environmental friendliness are other important features of the project. Development of enterprises in the rural areas such as cottage industries and construction related activities as well as biogas plants and small scale hydropower generation are also included. The mode of operation is to act through homogenous and autonomous groups of small farmers, landless rural poor people and women with similar economic enterprise interests and resource bases. Credit is extended to the groups on the basis of enterprise viability. Group liability, not security or asset holding is the main basis for loans. After completing the pilot phase, also called the Action Research Project, in two sites, HMG/N decided to continue and expand the programme.

The first phase of the project, termed as SFDP I was launched in 1981 and covered 28 of the country's 75 districts and established 90 Sub-project Offices (SPOs) by the end in 1987. A loan fund of US$ 13.5 m was provided by the International Fund for Agricultural Development (IFAD) to finance SFDP I. In the second phase (SFDP II) as well the involvement of IFAD continued for a period of 5 years beginning from January 1986. The cost was estimated at US$ 26.1 m. to be financed from various sources, IFAD footing was US$ 14.6 m. During SFDP II eighty new sub-projects were added. Also, the programme was extended to 11 more districts and a total of 39 districts were covered. In addition, 4 Regional Training Centres (RTC) were established in the second phase through German assistance for training the Group Organizers, farmers and women workers.

In the third phase (SFDP III) that began in January 1991, financing was made available by the Asian Development Bank (ADB/M) and His Majesty's Government of Nepal (HMG/N). This phase has been mandated to focus on consolidating the programme. The number of districts served were to remain constant at 39 but more of the small farmers were to be involved by adding sub-projects and/or groups, however, there are discussions going on to expand the project in 11 more districts. The total estimated cost of the project is US$ 45.2 m and the share of ADB/M is US$ 30 m, HMG/N is to provide US$ 12.2 m and the farmers are to foot the remaining US$ 3 m. The ADB/M loan money has been provided from special fund under standard conditions and is repayable in 25 years with a grace period of 5 years. Other agencies such as the ADB/N, EEC, KHARDEP, K-BIRD and RIRDP have also been involved in SFDP activities in various ways, at present. Agencies such as the UNICEF and UNFPA are environmental activists. The RIRDP implemented its own SFDP in the Rapti Zone. The ADB/N has its own full fledged SFD Programme in 23 districts. Thus all the 75 districts have SFDP and altogether 435 SPOs were established at one time and currently the number has been reduced to 395. The process of combining SPOs at some places and opening new ones at others is on.

ELIGIBILITY CONDITIONS

For a programme focussed on the poor rural households, determination of appropriate eligibility requirements followed by rigorous assessment are very important. At the beginning eligibility conditions were a land holding of up to 1 hectare in the hills and 2.67 hectares in the terai or income levels up to NRs 950 per capita per year at 1978 prices (NRB, 1982). Later in 1981 it was changed to a holding size of 1 hectare or a per capita annual income of NRs 1200 at 1981 prices (ADB/N, 1984). Subsequently, a distinction between irrigated and un-irrigated holdings was made, and the limits for eligibility were fixed respectively at 75 and 1 hectare for irrigated and un-irrigated land in the hills. The respective limits for terai were fixed at 1.3 hectare and 2.6 hectares, however, these criteria turned out to be too difficult to follow and the definition of irrigation availability also was found to be quite confusing because the duration and adequacy of available water differed from one place to another. Because of these difficulties the eligibility requirements for both the hills and terai were fixed at a maximum holding size limit of 1 hectare or a maximum per capita annual net income of NRs 1200 at 1981 prices. Currently, it allows membership to households having up to one half of a hectare of cultivable land either in terai or in the hills or per capita earning not more than NRs 2500 per year, at 1989/90 prices (ADB/N, 1991). Two additional constraints of having at least a third of the members with per capita annual income not exceeding 2/3 of NRs 2500 i.e. NRs 1667 and at least a quarter of the members be women, overall, are also added.

ASSESSMENT OF ELIGIBILITY

After the identification of the sub-project area the next step in SFDP is to assess the eligibility of individual households. A preliminary household survey also called pre-household survey of all the households in each sub-project command area is carried out for this purpose. The format used has been developed by the ADB/N Central Office and is common to all the sub-projects. Items included by the format are literacy status of the household members by age group and sex, size of land owned, rented in and rented out, incomes from crops, livestock and birds, and from other sources. Once a household is found eligible, one person, preferably the head of the household can enroll in a small farmers' group. Wife of the household head also may become member of a women's group, concurrently. Eligibility is not reassessed every time the group members apply for loans. Once admitted, the household remains in the programme until either he breaks away or his loan requirement exceeds the loan ceiling allowable for a member of any small farmers group.

The format used for the preliminary household survey lists all major sources and corresponding amount of gross income and cost incurred. The income from individual crops are to be calculated directly by recording the amount produced and the corresponding price. The total cost is to be reported by the respondents without adding part by part. It is to be noted that, in case of field crops the number of items of income are just a few and frequency of obtaining the incomes is also small. The farmers can be expected to do reasonably well in recollecting and reporting the yield and price figures for individual crop. However, the cost items are many and frequency of occurrence is large, stretched over a long period from field preparation to harvesting and threshing. To report the sum of all costs incurred for each enterprise at the time of the preliminary household survey is bound to be difficult for the farmers as they do not keep written records. Farmers can report the figure on total cost better if they get to add material cost, human labour cost and animal or machine power cost for all the field operations involved in producing individual crops. But the format does not provide space for such breakdowns. Some Group Organizers (GOs) use certain local norm figures for accounting costs while others are not clear on what is to be included and what is to be excluded by the costs. Some treated consumption expenses also as cost items in the enterprise account. Though in most places consumption expenses are not included, data on cost of production reported are likely to be very rough because the format does not possess adequate mechanism to improve accuracy.

In case of livestock and birds it has to be noted that receiving income and incurring cost happen daily or even a few times in a day, if milk or eggs or animal labour are marketed. To report sum total of both the cost and returns on an annual basis while responding to the preliminary household survey interview on the basis of recollection is hard. Use of norms could be made in accounting costs but the variations in the productivity of individual animals makes income assessments difficult. Absence of recorded accounts can lead to memory biases. Provision of spaces for adequate cost breakdown accompanied by certain guiding norms and sufficient training to the interviewers could have helped assessing eligibility better.

Ambiguity in determining income from other sources also was evident from reviewing the completed preliminary household survey records of a number of SPOs. For example, households receiving NRs 6,875 by working regularly in an office for one year reported the cost incurred to be NRs 6,000. Though cost breakdown is not available such an expenditure level is likely to include the living expenses also. The format used for the survey does not provide any clue on what is included.

To determine the per capita annual income in individual household the products need to be valued. The sources of prices to be used are not specified and the figures on 1989/90 prices and for subsequent years are not made available to individual SPOs. Some GOs use the retail prices of individual products at the local markets at the time of the preliminary household survey. Obviously, this factor is one source of introducing roughness in the assessment process because of the seasonal fluctuations in prices. Also, the level of income thus determined pertains to that particular year and not an annual average.

Eligibility criteria of land holding limit or annual income ceiling per head have been interpreted in different ways. Some GOs allowed a farmer to join the programme if the land holding did not exceed the set limit disregarding the money income. Others allowed a farmer with money income within the permissible limit no matter how much land is owned and still others allowed membership only if the farmer did not exceed both the limits. From the farmer's side also if a farmer saw advantages in joining SFDP, as there are, he can over-state cost or under-state returns or do both. Also, if the GO wanted to form groups quickly and show fast progress, he may not look at the quality of information closely enough assess eligibility. Owing to such circumstances households with land more than the permissible ceiling or more income per head than allowable, in fact, are likely to have come into the programme. A guidebook or manual which clarifies the ambiguities in eligibility assessment in the field while assessing income from crops, livestock and birds and from other sources has been missing, and training of the GOs in this regard seems inadequate.

CONCLUSION

Assessment of eligibility on the basis of the preliminary household survey as described earlier is considered inadequate. Revisions in the land holding size limits downwards from 1 hectare in the hills and 2.67 hectares in terai to 0.5 hectare for both the areas is also likely to be a major factor for systemic infiltration of non-small farmers into the programme. Also, in joint families some members may have title to a small piece of land only which qualifies him to be a member of SFDP.

In view of the complexity involved in determining the eligibility of individual households and the skills as well as information required for accounting incomes from different sources, a simpler approach of assessment may be appropriate. Ranking individual households in an area in order of poverty through Participatory Rapid Rural Appraisal (PRRA) to identify the eligible households seems to be a more practical approach. Households that can, at leas, meet the basic needs can be separated from others that can not, for assessing eligibility. Though this procedure may invite political problems at certain places, informing the larger farmers about the services provided by ADB/N for them may help.

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