**Eliminating extreme poverty in three years**

Swarna Bharat Party’s policy on poverty

*These policies should be seen in the context of the broader reform agenda outlined in* [*SBP’s manifesto*](http://swarnabharat.in/)*. Free markets require strong and effective governance. Without governance reforms detailed in the manifesto, that will build capacity and honesty in the government machine, the policies detailed below will not deliver the expected results.*

‘All the help that the poor need is that the world get off their backs’ (Mahatma Gandhi). Most people need an opportunity to succeed. Charity cramps the soul, and most people will have none of it. But India has not created an environment of opportunity for its citizens. It has, instead, wasted vast amounts of taxpayer money on ill-conceived ‘anti-poverty’ programmes that have merely created opportunities for corrupt bureaucrats and politicians. The work ethic has taken a toll under the employment guarantee programme, with corruption decentralized to every village and functionary. Worse, creative craftsmen – who are not able to find work to improve their prospects in an environment without opportunity – are asked to dig earth and break stones, further humiliating them.

Our policies are focused on creating opportunities, thereby virtually eliminating the need to directly deal with poverty. There will, however, always be some who suffer from infirmities, physical, psychological or cultural, and require support – despite the best efforts to create opportunity. For such people we don’t need cosmetic programmes that only divert taxpayer money to bureaucrats and politicians. We need to directly eliminate dire poverty – no exceptions. That is precisely what our policy will do.

## Charities will always have a role to play

In helping others, the giver receives more than the recipient. An honourable society fosters the innate desire among most citizens to help the poor, a desire inherent in India’s tradition of moral obligation. *Langars* in gurudwaras and institutions of charity like Pingalwara have done wonders for the poor over the centuries.

We will continue to support tax exemptions for charities, thus enabling them to directly help the poor. Even after the (extremely frugal) social minimum is implemented, there will remain a role for charities to support the poor, e.g. those with special needs. We do not intend to create a disability arm of the social minimum (apart from some minor additional top-ups), particularly given the significant subjectivity involved in its assessment. We would expect the charity sector to fill this gap.

In this regard, there is a category of charities that need to be stringently regulated. While proselytisation is perfectly legitimate and tax exemptions can be given to religious charities, any foreign funds received should not be used for proselytization, nor should the poor be bribed through tax-free rupees to change their religion. We will amend the laws suitably, and punish any diversion of foreign funds for religious purposes.

## Ensuring the social minimum

Charity is important, but it cannot be a systemic solution for the acute poverty we see in remote villages or crowded slums.

We will, after effectively undertaking the first order functions of the government, ensure a social minimum for all Indians. This will include high quality private school education for the children of the poorest and a top-up that eliminates extreme poverty. While inequalities of income are an inevitable by-product of different talents, efforts, and fortune, no one in India needs to be desperately poor.

We will eliminate extreme poverty within three years. This will mainly involve replacing the current vast number of subsidies and poverty alleviation programmes by cash transfers into the bank accounts of the poorest households (with half these funds being allocated to the female head of the household).

As large sums of money are involved at the national level, we will employ the world’s best practices to determine the insured citizens (‘beneficiaries’), and audit for accurate delivery.

### Negative income tax (NIT-type) system

The main steps involved in delivering a social minimum, based on the concept of a negative income tax, are outlined below:

1. Identify people who are desperately poor and may need such assistance during a given year;

2. Determine the top-up amount (the gap from the poverty line) needed to raise the income of these persons above the poverty line;

3. Identify funds to meet this top-up amount. These funds are likely to be far less than current subsidies and poverty alleviation programmes; and

4. Transfer this money directly to the Aadhaar-linked bank account of these people.

To help in (1) identification, lodging income tax returns will be made compulsory for every Indian adult. Private agencies will be hired to assist in this task, particularly in rural areas, where income tax returns have hitherto not been required. The agencies will be required to use digital photography and videos of the individuals’ assets and lifestyle (for instance) as partial proof of income assessment. There will an asset test, whereby individuals with large assets but no income in a particular year will be required to sell their assets. Only after such assets reach below a minimum level, would they become eligible for the social minimum. Anyone who is able bodied but chooses not to work, will be denied eligibility, even if otherwise qualified.

We will not allow, at any cost, the social minimum system to degenerate into a welfare system. The poverty line will be linked to a very frugal level of existence, just a little above extreme poverty, and updated periodically for local cost of living and inflation. There will be (a very minimal) additional top-up for disabled persons, noting that caring for the disabled is the responsibility of the family, and an area for charities to play a significant role.

Recipients living in remote areas will need to travel to the nearest bank branch to collect their funds every fortnight. We will, however, explore whether mobile phones can be linked with bank accounts and the Aadhaar ID, so every person eligible for the social minimum can access their bank accounts through the mobile phone network.

To ensure the efficient delivery of the NIT-type system, India’s largest IT companies with proven capability will be invited to propose methodologies to implement this system. About half a dozen pilots will be rolled out by the end of the first year and the most effective method would be selected for national implementation. It is expected that India’s vast NGO/religious charity networks will also play a role in the identification of the poor and audit/ validation of delivery to the right people. Additional checks will be ensured through private audit agencies, with incentive contracts that punish agencies severely for wrong identification of ‘beneficiaries’.

These NIT-type payments will become fully operational in the fourth year across the country and, after one year of implementation and evaluation, all subsidies and the public distribution system will be scrapped.

(It must be noted that UPA and Modi government efforts have been neither properly tested, nor well-targeted, nor linked with a commitment to abolish all other programmes.)