

The 11th five-year plan: learning and policy implications

Discussions from the conference Making Growth Inclusive: Opportunities, Scope and Challenges at the State Level¹



What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

Key messages

- India's 11th five-year plan commits the Government to pursuing faster and more inclusive economic growth. While the country appears to be succeeding with respect to the former, its performance on inclusivity has been weaker.
- Factors inhibiting the achievement of inclusive growth include low productivity in the agriculture sector, a disappointing record on employment creation and conditions, and an insufficiently transparent and inclusive system of governance.
- Addressing these factors will require implementing technical solutions to promote agricultural productivity and employment creation, and responding effectively to public discontent with the style and form of governance.
- Shifting to a rights-based approach to poverty reduction could go a long way toward promoting inclusive growth. However, this will depend in large part on the extent to which members of the targeted population are aware of and understand their rights.



During the period of its 10th five-year plan (2002-03 to 2006-07), India achieved impressive economic growth. Less impressive, however, was the extent to which that growth translated into poverty reduction and human development gains. By the mid-2000s, India still had 302 million people living below the poverty line, a malnutrition rate of 46 percent among children under four, and the highest number of illiterate people in the world. Furthermore, growth has been accompanied by rising inequality, and economic and human development achievement varies widely across states. As such, in developing the 11th five-year plan, the Government committed itself to a dual objective: increasing the pace of economic growth and making it more inclusive.

In October 2009, as the mid-point evaluation of the 11th five-year plan was taking place, the Gujarat Institute of Development Research held a national convention in Ahmedabad to discuss progress in realising inclusive growth. This policy brief draws on the papers presented at the conference and focuses on the three themes addressed at the convention: agriculture; employment; and governance.²

Achieving inclusive growth: challenges and options

Agriculture

More than 60 percent of India's workers are engaged in agriculture and related activities, giving the agriculture sector tremendous potential to impact poverty rates. This potential has been relatively unrealised in recent years, partly because agricultural productivity, which is key to the quantity and quality of employment in the sector, has grown very slowly. Declining productivity has left the agriculture sector unable to absorb surplus rural labour, and has kept agricultural wage rates low. Furthermore, even where agricultural productivity is rising, such as in Gujarat, it does not seem to have a poverty-reducing effect.

Challenges and options

Realising agriculture's potential to contribute to inclusive growth will require a focus on productivity, with productivity increases expected to raise income levels for farm workers. The benefits of improved agricultural productivity should then spill over into the rural non-farm sector, particularly when accompanied by investments in rural infrastructure.

Lack of access to water, due to the vast exploitation of ground water during the green revolution, compounded by increasing industrial and

household demand, poses a major challenge for the future sustainability of the sector. For example, at least 30 percent of the country's irrigation potential remains unexploited – a promising area for future investment – and the use of watershed development in dry and semi-arid regions could have beneficial effects.³ In the case of Orissa, a state well-endowed with water resources but hindered by poor irrigation infrastructure, there is a need to find innovative ways to expand reliable irrigation systems. For example, Orissa's state government has implemented a new water policy. The policy establishes Water User Associations (WUAs) that are charged with operation and maintenance (O&M) of infrastructure, and also provides for increased water tariffs and O&M financing. Early experience suggests that this partnership can work well if WUAs receive sufficient capacity development support and are provided with well-functioning infrastructure.⁴

Though India has a reasonably advanced public and private seed sector, 'Indian agriculture has not witnessed any major breakthrough in seed technology since the High Yield variety seeds of the Green revolution'.⁵ The 'Gene Revolution', which enabled production of genetically modified crops, has the potential to create crop seeds that 'significantly outperform'⁶ earlier varieties. However, these seeds are often unaffordable to small farmers and most farmers are not aware of new seed technology. Developing better seeds, ensuring their affordability, and making farmers aware of their benefits, are therefore crucial to improved agricultural productivity.

Contract farming arrangements and agricultural value chains also have a poverty-reducing potential. Studies show that (a) food retail chain farmers tend to have higher profits than non-food retail chain farmers, and (b) large-scale farmers with significant asset bases tend to have greatest access to these chains.⁷ This was confirmed by an analysis of the 'Reliance Fresh' fresh food retail chain in Gujarat: in an area where two percent of farmers are large holders and 27 percent are marginal holders, 21 percent of the farmers associated with Reliance Fresh were large holders, while none were marginal holders.⁸ Studies analysing rice seed and Gherkin cultivation in Southern India report similar results.⁹

In other areas, the incorporation of poor people into value chains has yielded significant results. For instance, female household workers are often able to access international and domestic garment embellishment chains,¹⁰ and there is evidence that smallholders were able to reap significant profits in the tea industry in West Bengal.¹¹



Employment

India's employment performance has been fairly disappointing, especially in the context of a growing working-age population. Most notably, growth in the secondary and tertiary sectors is failing to create jobs, therefore limiting the poverty reduction effects of growth.¹² Where employment has been created, it has tended to be informal 'self-employment', either by own-account or unpaid family workers. Even in the formal sector, there is a trend toward shorter contracts and more casual arrangements.¹³ Furthermore, the global financial crisis resulted in substantial income declines in the informal economy, limited commercial credit availability, and significantly reduced demand for Indian exports, leading to job losses in the formal sector. For example, as early as November 2008, more than 300,000 jobs had been lost in the gems and jewelry sector alone.¹⁴

Challenges and options

Employment generation could make a tremendous contribution to more inclusive growth if the poor were able to access higher-reward jobs in the manufacturing and service sectors, or to engage more productively in the informal sector. This would require higher skill levels among workers and increased demand for labour on the part of potential employers. Though Government has few relevant policy levers with which to influence private sector demand, there is potential for the establishment of appropriate skills-training programs. In the 11th five-year plan, the Government commits itself to increasing the number of industrial training institutes and centres – 500 of which will become 'Centres of Excellence' linked to industry – by a factor of ten. The Government will provide skills training relevant to both industry and service and agriculture and rural employment, and plans to increase the skilled portion of the workforce from its current five percent to 50 percent.

The Government can also create employment opportunities for the most vulnerable, as it has done through the National Rural Employment Guarantee Act (NREGA). The NREGA guarantees a minimum of 100 days of employment to rural households, and relies on self-selection as a targeting mechanism. This scheme is particularly appropriate in the context of the increased vulnerability in the wake of the financial crisis. The successes of NREGA should not be understated: in 2007-08, 1,437 million person-days of employment were created in 330 districts. This can be compared to the Sampoorna Grameen Rozgar Yojana (NREGA's predecessor) and the National Food for Work Programme: implemented in every

district, these programmes produced 1,116 million person days¹⁵.

However, the NREG programme has been criticised on a number of points, especially regarding high costs and 'leakages'. Looking at the experience of NREG in West Bengal, it appears that there is insufficient capacity among the Panchayati Raj Institutions charged with implementing the program; lower-than-required participation of women; delayed payments; and inadequate information dissemination, which can result in low demand for NREG employment.¹⁶ If the program is to fully realise its inclusive-growth potential, a key challenge for government will be to address these issues.

Governance

Despite the 10th five-year plan's focus on achieving good governance, a number of issues remain to be addressed. In particular, there is a disconnect between the elite and the poor, a leadership deficit, and a technocratic model of governance that is led by higher-earning classes and shaped by their particular experience and views.¹⁷ There are widespread protests to these failings, both among those who accept the general structure of the system but would like greater inclusion, and among those who reject the system entirely, such as the Naxalites.

Challenges and options

To date, the Government's reaction to widespread demands for greater transparency and inclusivity has involved increasing bureaucratisation and, in some cases, reliance on security services. This has particularly been the case with regards to the Naxalite movement. A more effective and sustainable approach would be to take steps to bridge the gap between the elite technocrats and the poor, who are in large part passive recipients of Government policy, and to improve the information flow between the two groups. To do so, the Government could build on a number of recent initiatives, including certain forms of e-governance, social audits, media watch, and 'judiciary for good governance'.

A deeper, more complete shift to a rights-based approach (RBA) to poverty reduction, if properly designed and implemented, could go a long way toward achieving governance and poverty-reduction goals and promoting inclusive growth. The experience with the recently-established Forest Right Act (FRA) offers an instructive lesson in RBA implementation. The FRA was designed to grant members of tribal groups legal rights to land that they have been using for years, and upon which their livelihoods depend.

The Chronic Poverty Research Centre (CPRC) is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

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In Andhra Pradesh, some progress has been made with respect to the implementation of the FRA, but the act has faced a number of operational difficulties.¹⁸ Chief among these is inadequate awareness on the part of potential beneficiaries. Surveys suggest that villagers are often unable to attend relevant meetings because they are otherwise engaged in daily activities and because the meetings are held too far away (at Panchayat level rather than Hamlet level). As a result, potential claimants lack crucial information related to the eligibility of claims, the deadlines for submitting claim forms, and the appropriate means of obtaining the necessary proof to submit claims. As noted above, participation in NREG programmes has also been hindered by lack of awareness. This suggests that the success of a rights-based approach will depend in large part on the extent to which targeted beneficiaries are aware of their rights and understand how to claim them.

Conclusion

India is facing significant challenges in its effort to achieve more inclusive economic growth. These include low productivity growth in agriculture, economic growth that has failed to translate into employment creation and a system of governance that does not give sufficient voice to the poor and marginalised. In the agricultural sector, tackling these obstacles will require innovation in the agriculture and economic arenas, particularly with regard to seed development, irrigation systems, contract farming, skills training, and measures to increase the inclusivity and transparency of government. In particular, a move towards a rights-based approach to poverty reduction holds considerable promise, but needs to be accompanied by efforts to ensure that members of the targeted population understand their rights and are able to claim them.

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Endnotes and References

- 1 National Convention on Making Growth Inclusive: Opportunities, Scope and Challenges at the State level, Ahmedabad, 26-28 October 2009, the Gujarat Institute of Development Research.
- 2 The three themes in the conference were discussed in state-level panels where academician, policy maker, and CVOs were represented. The panel covered four states viz; Gujarat, Tamilnadu, Madhya Pradesh, and Orissa. There were also key note speakers for each theme.
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- 9 See Swain, 2009.
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- 17 Kumar, A. (2009). 'Towards a critique of discourse of inclusive growth: the calling of transformative inclusion'. Paper presented at Making Growth Inclusive: Opportunities, Scope and Challenges at the State Level, Ahmedabad, October 2009.
- 18 Reddy, M.G. and Kumar, K.A. (2009). 'Implementation of Forest Right Act of 2006 in Andhra Pradesh: will effective governance matter?'. Paper presented at Making Growth Inclusive: Opportunities, Scope and Challenges at the State Level, Ahmedabad, October 2009.

This document is an output from the Chronic Poverty Research Centre (CPRC) which is funded by UKaid from the UK Department for International Development (DFID) for the benefit of developing countries. The views expressed are not necessarily those of DFID. The CPRC gratefully acknowledges DFID's support.