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IPPG Briefing Paper No. Nine
In Conjunction with CUTS International
March 2007

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The Interaction of International and National Institutions: Implications for Agriculture in West Bengal

Abstract

Globalization is an uneven process in as much as people living in different parts of the world are affected very differently by this gigantic transformation of social structures and cultural zones. However, it is not just a process but an institutional form, embodying a host of international institutional arrangements governing trade, investment etc. It is possible for a state to respond to these global currents and trends with necessary policy changes and legislations. The 1980s thus witnessed in India a spate of institutional reforms seeking to liberalize the economy by weeding out outmoded institutions of protectionism like the licensing system and closures on international trade. In the realms of agriculture as well, India opened its hitherto protected seed industry to private companies. While a change in the rules did register an improvement in economic growth, development and growth did not percolate to the poor and marginalized farmers. That would be possible only by putting in place the necessary institutions to include the poor or protect them from exclusion from the benefits of growth-institutions that will function as a buckle, linking overall growth and poverty reduction.

Globalization : setting the stage for institutional change

Globalization approximates the idea of a 'borderless' world, involving the stretching of social, political and economic activities across frontiers,regions and continents. It is marked by a growing volume of interconnectedness and flows of trade, investment, finance, migration and culture. There is a perceptible increase in the extensity and intensity of global interactions as a result of which the boundaries between domestic matters and global affairs become increasingly fluid.

Globalization, moreover, has spawned a cluster of new international institutions governing trade, investment etc. These are often imposed/insisted upon by the big players in the WTO for instance – this is what constitutes the formal apparatus of globalization. Therefore globalization ought to be viewed not just as a process or trend, but also as an institutional form. However globalization has to be understood as a multidimensional process which cannot be reduced to an economic logic and which has differential impacts across the world's regions and upon individual states.[1] It is an uneven process, meaning that people living in different parts of the world are affected very differently by this gigantic transformation of social structures and cultural zones.

1. Krieger, J. ed (2001) *The Oxford Companion to Politics of the World*. (New York: Oxford University Press).

Paper prepared for the DFID-funded Research Programme, Institutions and Pro-Poor Growth (IPPG). The authors are grateful to DFID for the funding that made this research possible. The views expressed in this paper are entirely those of the author and in no way represent either the official policy of DFID or the policy of any other part of the UK Government.

Impact of Globalization on India

One could detect a set of interlocking institutional arrangements governing economic activity in India in the pre-1980 period. India's policy makers had closed the economy to international trade; erected inefficient industries under state guidance; riddled the private sector with extraordinarily cumbersome and detailed regulations; and suffocated private economic activity with controls and bureaucratic impediments. Such a set of institutional arrangements was becoming increasingly incompatible with the changed climate ushered in by the new WTO regime. Clearly it was time to introduce changes in the rules of the game-institutional changes that would complement the new situation.

Changes therefore have started happening since the 1980s when India took the first strides in the direction of liberalization and privatization, towards free markets and open trade. Trade barriers were slashed, foreign investment was welcomed, the license raj was dismantled and the welcome effects of such changes started manifesting themselves in much higher rates of economic growth. In fact the economic growth rate has risen from 1.7% (in per-capita terms) in 1950–1980 to 3.8% in 1980–2000. Many are inclined to link up this increase in economic growth to the economic reforms of 1991, but actually the process of initiating such reforms began even earlier in the 1980s with Indira Gandhi's return to power. Therefore the trigger for the economic growth that India has been experiencing since 2000 was the then attitudinal shift on part of the national government in favour of private business.[2] This pro-business orientation focused on raising the profitability of the established industrial and commercial establishments and tended to favour incumbents and producers. The institutional manifestations of such pro-business orientation included, *inter alia*, the easing of restrictions on capacity expansion for incumbents, removing price controls and reducing corporate taxes (all of which took place during the 1980s).

The two facets of liberalization : external and internal

Liberalization has two facets: internal and external and it is the interaction of the two that shapes outcomes and affects how its costs and benefits are distributed. *Internal liberalization* as an institutional process involves the dismantling of the licensing system, opening up of a number of sectors previously reserved for the public sector to private investment, loosening (if not abandoning) control of administered prices. *External liberalization*, on the other hand, entails institutional changes like the removal of non-tariff barriers to imports, reduction in import tariffs and removal of restrictions on foreign investment. All these evidently require alterations in existing policies as well as simultaneous enunciation of new policies. While it may be helpful to think of *policy* as the aims, goals and intentions of the government, *institutions* can be understood as the means, rules or procedures put in place to achieve those goals. Institutions thus constitute the architecture and the rules that determine opportunities and incentives for behaviour, inclusion and exclusion of potential players, structuring the relative ease or difficulty of inducing change, and the mechanisms through which change may be facilitated or denied.[3] However, two seminal questions emerge at this juncture and they can hardly be ignored, for both have a clear bearing on the issue of pro-poor development which has been a priority for most developing countries.

First, it is one thing to pronounce policies at the governmental level, it is quite another thing to understand their repercussions at the level of the the grassroots. In other words, is the economic growth that is likely to be generated by an altered governmental stance in favour of private business, going to make meaningful differences in the development and living standards of the poor and marginalized? One has to examine whether the policy changes introduced by the government (new goals and visions) are backed up by the required institutional changes (changes in rules and ways of doing things, ways which have impregnated themselves over time) at the ground. Second, a major concern among many about such policy changes, consequent upon and complementary to globalization and liberalization, relates to their 'social' dimension and impact. The vital issues include employment, poverty, income inequality and quality of life for the majority of the people. This is all the more vital for a state like West Bengal which has been ruled by a socialist government for the last thirty years with its professed pro-poor commitment and policies that were clearly hostile to privatization.

Liberalization in the context of Indian Agriculture

The success of Indian agriculture depends largely on the quality of seeds that are available to farmers. Superior seeds generate high yields and this understanding paved the way for the 'Green Revolution' and India's self-sufficiency in food grains. During the 1960s, the formal seed sector in India was dominated by the public sector; in 1961 the National Seeds Corporation (NSC) was set up under the Ministry of Agriculture and was at the center of seed production of breeders, foundation and certified seeds and their quality control. An attempt to privatize the Indian seed industry was made through the National Seed Policy enunciated in 1988, which did not withdraw all restrictions on the import of seeds alright,but nonetheless aided the opening up of the sector to accommodate

2. Rodrik, D. and Subramanian, A. (2004) 'From Hindu Growth to Productivity Surge: the Mystery of the Indian Growth Transition'. *Working Paper Series of the National Bureau of Economic Research (10376)* (Cambridge, Mass.).

3. Rhodes, R.A.W.; Binder, S.A.; and Rockman, B.A. eds. (2006) *The Oxford Handbook of Political Institutions.* (New York: Oxford University Press).

greater private participation. Until the mid-1980s India's seed supply used to come from two sources: (a) traditional farmer-based seeds, and (b) research organizations and breeding farms in the public sector. In the mid-1980s a new source was added : (c) the private sector.

Following the adoption of the National Seeds Policy, 1988, India opened its hitherto protected seed industry to private companies. This implied that the world's largest private seed producers – who intellectually protected their seed variations – were allowed to compete with small and localized traditional Indian methods of seed production carried out by Indian farmers. In fact the New Policy On Seed Development of 1988 ushered in a new era of privatization in the seed sector in India. This coincided with the fourth loan given by the World Bank to India's seed sector to make it more 'market responsive'.

Acting under the pressure of the powerful private seed lobby, the Indian government, in 2002, enacted the National Seed Policy of 2002 which sought to encourage even greater private participation in agriculture and seed production and complement the existing structures, or even replace them, as and when necessary. The broader focus of the policy was ensuring maximum prosperity and security for farmers. Some of the recommendations envisaged by the National Seed Policy of 2002 have found a manifestation in the Protection of Plant Varieties and Farmers' Rights Act (PPVFR) 2002, including the establishment of a National Gene Fund and a Plant Varieties authority to regulate the quality of seeds in the country. However the greater aims of the National Seed Policy pertaining to the building up of infrastructure,ensuring good quality of seeds and facilitating international trade in seeds, have been sought to be carried forward through the proposed Seeds Bill, 2004.

New legislation as an expression of institutional change: The Seed Bill, 2004

One of the important and significant pieces of legislation contemplated by the national government in the realm of agriculture, under the new WTO regime has been the Seed Bill. This was in keeping with the new National Seed Policy, released by the national government in 2002, to reduce the direct involvement of the government in seed production and marketing,and to actively encourage the private sector to engage in research and development of new varieties of seeds.

The major driving forces behind this legislation were: (a) the ostensible reason for the proclamation of the Seeds Bill was to facilitate the employment of new technology and methods for boosting agricultural production; (b) India is a party to the TRIPs agreement and is hence bound to protect plant and seed varieties developed by private seed producers or breeders. The Government of India justified its proposing the Seeds Bill on the basis of its WTO commitments. However, India has already devised sui generis protection for plant varieties under the PPVFR Act and hence meets its obligations under the TRIPs agreement; (c) For several years,the private seed industry with the support of the World Bank, has been exerting tremendous pressure on the Indian government to allow the bulk import of potato varieties from the EU and US, for seed production.

The Seeds Bill 2004 tries to focus on the prosperity of the community of farmers as a whole and seeks to make available to them multiple choices and greater access to improved seeds. As the Standing Committee on Agriculture (2006–07) in its report to the Fourteenth Lok Sabha observed, 'A sustained increase in agricultural production and productivity has become dependent on the development of new and improved varieties of crops and an efficient system for supply of quality seeds to farmers.'[4] The liberalized climate for investment enhanced participation by the private sector in the seed industry.

The expected benefits from the Seeds Bill 2004, once it comes into force, as envisaged by the report of the Standing Committee of the Lok Sabha on Agriculture (2006–07) included: availability of true to type seeds to Indian farmers; check on sale of spurious and poor quality seed; increase in the proportion of quality seed available for sowing; increase in the seed replacement rate resulting in higher productivity; increased private participation in seed production, distribution, certification and seed testing; liberalized import of seeds and planting materials compatible with WTO commitments; and provision of farmers' exemption from registration.

Perceived problems and the need for accompanying and wider institutional changes:

While some favour the proposed legislation, hoping that it would serve as a check on the sale of spurious and poor quality seeds by making registration of all crop varieties mandatory prior to their marketing, there are those who feel that it is clearly anti-farmer. Their apprehensions suggest the need for accompanying institutional changes. In other words, a wider set of institutional innovations are needed if liberalization is not to deepen poverty and inequality by excluding those who cannot capture the gains that come from it.

(a) The proposed Seed Bill 2004 requires *mandatory registration of all varieties of seeds and planting material* sold in India. This is a new institution and a significant change from the existing law,which sought to regulate the quality of only a limited number of varieties notified under the law. The only exception to the rule is the exemption granted to farmers to use and sell seeds from their own farms, as long as such seeds are sold unbranded. However, such seeds will also have to meet the minimum standards set for registered seeds, a requirement which a small

4. Report on the Seeds Bill 2004 presented to the Lok Sabha by the Standing Committee on Agriculture (2006–2007) and published by the Lok Sabha Secretariat, New Delhi (2006).

farmer will find rather difficult to fulfill and any enforcement agency will find as difficult to detect.[5] The process is time-consuming and extremely expensive for a farmer. Moreover, since farmers' breeding criteria are broad – incorporating ecological and social considerations – their seeds will probably fail to pass the required standards. Under the circumstances the prevalent institution of farmer-to-farmer exchange of seeds is likely to be engulfed by only formal breeders and big businesses who will monopolize the sale of seeds for they are the only ones who can get their seeds registered. *Some institution needs to be evolved such that farmers can legally sell their home-grown varieties of seeds.*

(b) The proposed Bill suggests that every seed that is exchanged or sold in the market must be tested against the minimum levels of quality that are laid down. Although the notion of quality sounds promising, in the absence of supporting institutions it is apt to be abused. *The bill gives the 'Seed Inspector' wide powers and the creation of this new institution of policing can well result in the harassment of disadvantaged groups by inaugurating an intrusive regime of inspections.*

(c) Farmers are the original source of the germ-plasm and hence their rights as innovators must also be recognized. Under most IPR regimes all over the world,it is the providers of technology who acquire Intellectual Property Rights.[6] For the sake of conservation and to give farmers a fair share of the economic benefits arising out of the usage of their seeds, adequate *institutional safeguards should be contemplatd for recognizing and awarding community rights.* The farmers in the Nadia[7] district expressed alarm at the growing dependence on the seed market which is being increasingly dominated by private companies. They feel that legislation along the lines of the Seed Bill 2004 is more likely to benefit the multinational corporations .

(d) The proposed Seed Bill does not prohibit the registration of GM (Genetically Modified) seeds. Such seeds are exacting in terms of inputs demanded-fertilizers,pesticides and insecticides – all of which raise the cost of production and which are usually beyond the means of the poor and marginalized farmers. Besides,the entry of such GM crops could entail contamination of traditional varieties through GM agriculture.

The farmer is often haunted by lack of financial support in the event of crop failures. Agricultural insurance is almost conspicuous by its absence. Banks offer loans only to those farmers who can furnish securities against them, and as such they are always out of reach of the poor and marginalized farmers. Insurance schemes, even when available, are not available at an individual level. Farmers can avail of insurance facilities only if the entire village or 'mouza' is adversely affected. All villages do not have the same area under cover of cultivation. The disparity is sometimes stark: Aamdanga, with approximately eighty-two peasant families has a coverage of about 100 acres, while Srinagar has some 2500 acres of cultivable land.[8] It is also seen that almost every year insurance companies change the list of crops that are eligible to be insured. *Institutions strengthening rural credit facilities need to be created, or else the poor farmers will continue to fall into the clutches of the age-old institution of the extortionist money-lender.*

(e) An intriguing question remains to be answered. *What protection do farmers get if their legally-bought registered varieties fail?* There are no institutional back-ups in this regard. The farmers can only turn to the Consumer Protection Act of 1986 which is cumbersome to the extent that farmers must engage the formal legal system and incur costs and delays. The Seeds Bill only reiterates the prevailing position,a mechanism which has proved to be of little use. There is clearly *need for an efficient and speedy institution, in the form of a commission or adjudicating authority* for looking into cases involving seed-related farmer and consumer disputes.

(f) A professed objective of the Seed Bill is to increase the seed replacement rate, that is, percentage of area of a crop sown, using certified or quality seeds. However, *the Bill makes no mention of price regulation mechanisms which could enhance farmers' accessibility to seeds*. Seed prices are likely to climb because private companies would pass on the costs of registration to farmers. In the absence of institutions specifically looking into price controls, seed companies will be at liberty to charge higher prices, unaffordable to farmers and resulting in further indebtedness.

Role of the State and Civil Society Organizations in facilitating institutional change

It is possible for a state to align itself with global currents and trends,and even make the necessary policies and policy changes, but if those policies are not implemented in such a way as to ensure consistency and reliability then they will not command the credibility and the confidence of private capital. Similarly,the same formal institutions – such as laws, rules and regulations, or codes of conduct – may have very different consequences in different contexts, depending on the way in which they operate in practice.[9] Liberalization can be a necessary but not sufficient condition for growth

5. Saggi, N. (2006) 'Seed Bill in India-Policy Analysis and Implications'. *CCS Working Paper (151)*, Centre for Civil Society (New Delhi).
6. Ibid.
7. Nadia is foremost among the districts of West Bengal in the production of vegetables.
8. Aamdanga and Srinagar are villages in the Nadia district of West Bengal.
9. Harriss, J. (2006) 'Institutions and State-Business Relations'. IPPG Briefing Paper 2 (http://www.ippg.org.uk)

and development. The greater global economic connections have much to offer to all, provided the benefits are not kept locked up for those who are already privileged. The 'unlocking'of access would depend on widespread availability of education, better health conditions, availability of land for the tillers, access to credit and enabling financial facilities, and such capacity enhancing conditions.[10] *Unless these additional institutions are put in place to include the poor there may be adverse consequences.*

It is therefore widely believed today that institutions matter in development. Policies adopted by a national government, no matter how economically pragmatic or progressive, will not register the desired impact unless they are simultaneously accompanied by wider institutional changes. It is important to understand the significance of institutions because policies have to be implemented.

Institutions can be looked upon as ways of life that have impregnated themselves on society over time. They can be formal as well as informal. Formal institutions are normally established and constituted by binding laws, regulations and legal orders while informal institutions are constituted by conventions, customs, norms and values which determine accepted ways of doing things. These are embedded in traditional social practices and culture which can be equally binding.[11] In other words, since institutions represent ways of doing things, these must be modified, strengthened, altered, replaced or supplemented, as the need may be, to complement the new or changed situation consequent upon the enactment of new policy changes and shifts. *Such institutions can function as a buckle linking overall growth and poverty reduction.* Increasing productivity of agricultural activities can be ensured through improvements in market access and simultaneous reduction of transaction costs, strengthening property rights in land, devising a proper incentive framework that will benefit all farmers, expanding technology and making it available to the poor producers and helping producers to deal with risks. Related institutional conditions conducive to pro-poor growth can also be stimulated: improving investment climate, increasing access to secondary and to girls' education, improving access to infrastructure and the like.

Governments in developing countries have often tried to bail out the poverty-stricken farmer from his misery through input subsidies and similar agricultural protection policies; but it has been seen that that these subsidies have accrued to only certain classes of farmers in some regions cultivating irrigated crops. Furthermore, highly subsidized prices of inputs such as irrigation water and electricity for pump-sets have encouraged cultivation of water-intensive crops, over-use of water and ground water depletion. Subsidies for nitrogen fertilizer on the other hand has resulted in nitrogen-phosphorous-potassium imbalance and acted as a disincentive for the use of environment–friendly organic manure. These adverse consequences are a drain on the fiscal burden of the central and state governments.[12] What the state must do therefore, is to address the difficulties encountered by farmers in a changed situation. The ability of the peasantry to grapple successfully with the changing reality will depend in good measure on the safety-nets that the state provides them in response to their perceived needs and difficulties. In the context of agricultural development in West Bengal, *the state must specifically look into the following areas, each of which requires institutional expression:*

(a) A major problem lies with the insufficiency of credit to agriculture. From 1995–96 the Rural Infrastructure Development Fund was set up to allocate funds for the completion of projects and the government has committed itself to strengthening the cooperative credit structure. The government must introduce financial schemes which will help farmers to deal with risks and eventualities like crop failures.

(b) The government will have to monitor the seed sector intensely and should effectively intervene if the market fails to save the farmers. This entails greater decentralization and flexibility in operations of public seed agencies. Some *public distribution system* can be envisaged for making seeds available to farmers at reasonable prices. The government can make effective utilization of *Panchayat Raj*[13] *institutions* in this regard or even contemplate the setting up of new administrative posts.

(c) *Institutions for the development and promotion of rural literacy* is another prime need. A complementary role can be played by adult education centers. Through such parallel education centers rural folk, prominently women can be initiated into basic skills like newspaper reading, elementary writing including learning to sign their names for purposes of bank transactions and other official work. This will enable them to derive usage of various kinds of literature prepared on issues like organic farming, home remedies for controlling diseases or even financial schemes launched by the government.

The steps and ventures on the part of the government can be supplemented by the efforts of civil society organizations and non-governmental organizations. The work of the Bio-Agro Mission at Balia[14] in this regard is an apt illustration; this is a local organization committed to bio-farming

10. Sen, Amartya (2007) 'Inequality is Globalization's Real Challenge'. *Outlook Business,* pp. 87–90 (New Delhi, India).
11. Leftwich, A (2006) 'What are Institutions?'. IPPG Briefing Paper 1 (http://www.ippg.org.uk)
12. Mahadevan, R. (2003) 'Productivity Growth in Indian Agriculture: the Role of Globalization and Economic Reform'. *Asia-Pacific Development Journal,* 10(2), pp. 65.
13. Institutions of local self-government.
14. A village in the Nadia district inhabited by 219 farmers and their families producing rice, wheat, pulses, peas, lentils, oil-seeds and vegetables.

and trying to cater to the development of the farmers and raising their life standards through distribution of relevant literature, conducting workshops on irrigation and cultivation techniques and preservation of seeds, and promoting market accessibility through networking. The organization has also played a commendable role in setting up parallel education centers which have played a contributory role in enhancing the prosperity of the district.

Conclusion

It is almost universally recognized today that institutions matter in development. Pro-business policies enunciated by the national government in India since the 1980s definitely registered economic growth, but pro-poor development was thereby not automatically taken care of. The state will have to provide the farmers with institutional safety-nets to enable them to deal with the changes and challenges thrust upon them in an age of globalization, but vested interests stand in the way of bringing about such institutional changes. The government as well as civil society organizations will have to operate hand in hand to build and enhance the capacity of the poor and marginal farmers to better deal with the opportunities and challenges thrown up in a new environment ushered in by the WTO regime.