

It Only Takes A Village

Democracy is putting pressure on politicians to deliver benefits in rural areas. Only by ensuring development, health and education in villages can India boost its growth rate to 9-10 per cent and end poverty.

India is making great strides in reducing extreme poverty. With India's GNP increasing at between 6 and 8 percentage points every year, the proportion of population living in extreme poverty has been falling sharply since the 1991 economic reforms, from around half of the population to a quarter or less. An active debate about the "exact" measure of extreme poverty notwithstanding, indicators suggest rapid progress.

This growth, though impressive, is still below India's potential of 9-10 per cent every year. Should India be able to implement its reforms agenda and re-orient government spending towards high-priority areas of rural infrastructure development, agriculture, health, and education, it is likely to attain and sustain rapid growth. India could end extreme poverty within the next 20 years by combining rapid overall growth with targeted public investments in key sectors.

India continues to be a heavily agrarian economy, with agriculture contributing a quarter of the GDP and over half of employment. India's sustained development requires sustained development of rural India. Sadly, rural growth has lagged after receiving a major spurt during the Green Revolution in the '70s. While industry

has grown at an average of about 7 per cent in the '90s, the growth rate for agriculture has fluctuated and stayed around 3 per cent. The growth of rural consumption has also remained far below the growth of urban consumption.

Infrastructure availability for rural India is especially poor. Water, power, telecommunications and roads are provided with little, if any, charges, and therefore the public providers lack the resources to make needed investments and maintenance. To make things worse, this subsidy rarely reaches those who need it the most, being cornered by larger and richer users.

What is needed is a system of "life-line tariffs", in which below-poverty-line rural citizens would be ensured a limited amount of water and electricity at zero price, to ensure that every family can at least meet its basic needs. Above that fixed amount, however, families would be charged to cover costs. This strategy—free access to meet basic needs, and an unsubsidised price for anything more—would save money while ensuring the poor have guaranteed free access to meet their essential needs. The saving could then be used to increase investments in priority areas such as irrigation, electricity and rural health.

In addition to subsidy reform, India

should hasten public sector disinvestment and the proceeds should be earmarked for raising public investments in primary health and education, drinking water and power in the rural areas. India should also appeal to international donors for increased development assistance targeted towards pro-poor policies. This would involve \$5-\$10 billion a year up through 2015, targeted at essential services.

The explosion of powerful new technologies—in agriculture, health, information transmission, power, water—can aid in tackling extreme rural poverty. Consider information technology. IIT, Chennai, has developed innovative technologies that provide a telephone line and a 256 kbps Internet connection in a 25-km radius. Widespread use of such technologies could deliver not just services, but new livelihoods. Such ICTs (Information and Communication Technology) will provide distance learning, telemedicine,

agriculture and weather related information through rural kiosks. ICTs will also provide jobs. Data processing, call answering and other services can be sourced to villages. A number of private firms are already demonstrating viable models of ICT businesses in rural areas.

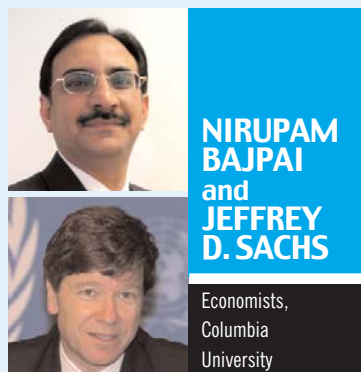
Similarly, advances in technology can promote a second Green Revolution, based on improved seed varieties, better water management, better use of advanced climate modelling and forecasting, as well as ecologically sound soil and land management techniques. These new technologies are either at hand or within reach, but much more could be accomplished with adequate public expenditure on R&D. Current investment in agricultural R&D is only 0.5 per cent of India's agricultural GDP—and comes almost entirely from the public sector—as against the average of 1.5 per cent for developing countries and 3 per cent in developed countries.

Indian governments (the Centre and states) spend less than 1 per cent of GNP on health, against an average of 3 per cent for all developing countries, and more than 5 per cent for high-income countries. The public health services are broken down, especially at the primary level, leaving the poor with almost no health services. Infant mortality rates are high, and life expectancy, at 63 years, is much lower than in China and East Asia.

Increased public health spending should finance infrastructure improvements. Additionally, higher spending is needed for essential drugs, vaccines, equipment and laboratories. State governments need to deploy more staff.

While India has put in place a bold strategy for universal education, even today, it under-invests in rural education. Adult illiteracy is almost 50 per cent, and as high as 60 per cent amongst women. Almost half of all children do not finish primary school. Only around 20 per cent are in secondary school. Special attention is needed to ensure the education of children—both boys and girls—and to reduce dropout rates. Public spending should rise from the current 3 per cent of GNP to at least 5 per cent to meet the goals set out in the Tenth Five-Year Plan. This money should be spent mainly by the states, but with local responsibility. In Madhya Pradesh, panchayats are given responsibility for ensuring school performance, including the right to withhold teachers' salaries for poor performance. Mid-day meal schemes are effective in improving enrolment, nutrition, and learning.

Democracy is finally putting justified pressure on politicians to deliver benefits in rural areas. The 2004 General Elections were viewed as a referendum on pro-poor policies. Grassroot democracy is also showing its effects in some parts of the country like Madhya Pradesh, where the panchayats have done well in ensuring the quality of local services. If success is to be achieved by 2015, it will be the combination of democratic pressures, subsidy reforms, new technologies, innovative business models, more international assistance, and increased public outlays for critical services. Fortunately, success is within reach.



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