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Country Analysis 2003
A Background Document for

Swedish Development Assistance to India

Key data on India

Area (thousands of km^2)	3,288
Population (million)	1,027
Annual population growth (%)	1.8
Average life expectancy (years, male/female)	63/63
Infant mortality rate (deaths/1,000 live births)	67
Maternal mortality rate (deaths/100,000 live births)	540
Literacy (%, male/female)	76/54
Population below official poverty line (%)	26
GDP (current US$ billion)	477
GDP/capita (US$)	462
GDP/capita (PPP)	2,840
GDP growth 1990–2001 (%/year)	4.0
Inflation, GDP deflator (annual %)	4.1
Gross domestic savings (% of GDP)	24
Gross domestic investments (% of GDP)	23
Net ODA disbursements/capita (US$)	1,7
Total debt service (% of exports of goods and services)	12.6
Government expenditure on education (% of GDP)	3.2
Government expenditure on health (% of GDP)	0.9
Population with access to safe drinking water (%)	62
Cumulative HIV infections (millions)	3.9–4.6
Parliament seats held by women (%)	9
Government seats held by women (%)	10
Human Development Index	0.590
HDI ranking	127/175
Human Poverty Index	33.1
Gender-related Development Index	0.574
Freedom House Index	2,3,F
Corruption Perception Index	2.7
CPI ranking	71/102

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Introduction

The Country Analysis should be seen as a background document for Swedish development assistance to India. In line with the Guidelines for Country Strategies in Swedish Development Co-operation, the analysis seeks to provide an overview of the key challenges and concerns facing India in alleviating poverty and furthering human development. It analyses poverty in a multidimensional context, on the basic presumption that freedom from poverty is a human right, and within the overall framework of national plans and priorities, international development targets (e.g. the Millennium Development Goals) and human rights conventions.

Given that development co-operation per definition deals with constraints and bottlenecks, the tone of the Country Analysis is somewhat critical. This is not to deny that tremendous, positive changes have taken place in India. The point the paper is trying to make is that, irrespective of such improvements, there is little room for complacency given the fact that poverty is still unacceptably widespread and inequalities are ever so prevalent. In addition, concerns that were either not there, or perceived less serious in the past, are emerging as major threats to Indian society. The rapidly degrading urban environment and the alarming spread of HIV/AIDS are two examples.

The Country Analysis is to a large extent based on existing reports and surveys. In particular, it draws heavily on the authoritative documents of the World Bank, the Asian Development Bank, the Department for International Development, and the UN funds, programmes and agencies. Other important sources are the Census of India, the National Family Health Survey, and the National Sample Survey.

The Country Analysis has been prepared by the Development Co-operation Section of the Embassy of Sweden in New Delhi through an inclusive process with the active participation of colleagues at the Embassy and the Sida headquarters in Stockholm. Local researchers and activists, some of who have been commissioned to draft issue papers on particular subject matters, have provided external input to the paper.

Apart from Jonas Lövkrona, the principal co-ordinator and main author of the Country Analysis, valuable contributions have been made by Ramesh Mukalla, Yasmin Zaveri Roy, Sunita Chakravarty, Karin McDonald, Johan Nordenfelt, Christina Hartler and Ola Sohlström. We have also received sound advice and comments from project counterparts.

New Delhi in November 2003

Owe Andersson
Counsellor & Head, Development Co-operation Section,
Embassy of Sweden

I. Poverty in India

On being sworn in as independent India's first Prime Minister in 1947, Jawaharlal Nehru called for "the ending of poverty and ignorance and disease and inequality of opportunity". Since then, poverty has been on the Indian policy agenda for more than 50 years. In all the five-year plans since independence, poverty reduction and the provision of basic social services to all have been singled out as major goals. So also in the Tenth Five-Year Plan (2002–2007), which is the first plan to include specific targets – national and state-level – for key indicators of human development, considered to be "as central to the planning framework as the growth objective". On several accounts, these targets are more ambitious than the Millennium Development Goals.

What has been achieved? Certainly there has been progress in a range of socio-economic indicators related to the health and well-being of the population. But the record is mixed – India remains a country of stark contrasts and disparities.

1. Trends in Poverty Incidence

Poverty is a multi-dimensional and multi-causal phenomenon and can be measured in a number of different ways. Different kinds of measures have their uses: relative, contextual, qualitative, and multidimensional indicators are best for understanding and addressing specific situations. But they are less useful for comparisons or for overall poverty monitoring and impact assessment, which require absolute, simple and quantifiable measures.

Statistics on India

India has a long tradition of collecting and analysing socio-economic data and was among the first developing countries to undertake regular household surveys (beginning in 1951). The lessons learned over the years are today being shared with other Asian countries with limited experience in data collection and analysis. But the Indian authorities also face a number of challenges. In particular, there is a lack of consistency in the methods and variables used by different data collecting agencies.

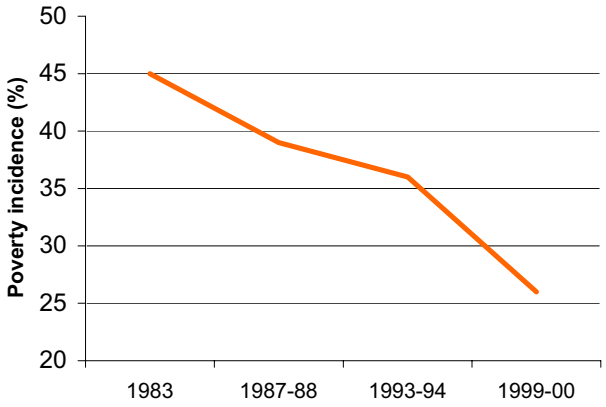
A case in point is the substantial divergence in consumption estimates of the National Sample Survey Organisation (NSSO) on the one hand, and the information contained in the National Accounts on the other. Similarly, school enrolment rates vary up to 20% depending on which source is consulted.

The narrow approach to measuring poverty permits the identification and analysis of those households falling under an absolute poverty line, which is defined as a minimum standard of nutrition and consumption. In India, this calorie norm has been set to 2,400 kcal per household and day in rural areas and 2,100 kcal per household and day in urban areas, plus a minimum allocation for basic non-food items. The poverty line simply identifies the number of people who cannot afford to meet this need. It is computed on the basis of data collected by the National Sample Survey Organisation (NSSO), which for the last 30 years has been undertaking nationally representative sample surveys. Arguably the most authoritative surveys are the ones that are conducted every five years of a "full" sample size of 120,000 households (ten household per sample village). There are also frequent surveys of a "thin" sample size, i.e. 20,000 households (two households per sample village), but these are generally not considered representative enough to secure any trends.

The all-India poverty incidence is the weighted average of state-level poverty ratios. According to this formula, while poverty incidence in India has declined sharply since the early 1950s, progress has been uneven over time. From the early 1950s to the mid-1970s, the poverty incidence fluctuated without a clear trend. In 1951–55, the average headcount index of poverty was 53%; about the same as in 1970–74. In the mid-1970s, the poverty incidence started to decline and continued to do so up until 1986/87, when it was down to 38%. Then, again, followed a period during which poverty reduction appeared to stagnate with an insignificant decrease of just one percentage point, to 37%, in 1993/94.

What has happened to poverty since 1993/94 has been much debated. The most recent full-scale household survey, conducted in 1999/2000, indicates that the poverty incidence has plummeted to 26%. Behind this fall lies a phenomenal increase – about 10% per year – in per capita consumption between 1993/94 and 1999/2000. This improvement implies that the number of non-poor during this period increased by 166 million as against an increase in the population by 106 million. Effectively, this means a decline in the absolute number of poor by 60 million.

Trends in poverty incidence



Such data must be treated with caution, however. The 1999/2000 national household survey is characterised by a significant departure in the data collection methodology as compared to earlier surveys. In fact, this difference and its impact on the results are arguably so significant that the 1999/2000 survey cannot be compared with previous surveys. In the absence of reliable information, some observers even argue that poverty has *increased* during the last decade. Nevertheless, the most plausible conclusion, to which most people also concur, is that there was some fall in poverty levels in the 1990s, but at a slower rate of decline than in the 1980s.

2. Depth and Severity of Poverty

However, the headcount index is not sensitive to changes in the conditions among people living below the poverty line. In other words; the economic conditions of the poor can improve (or deteriorate) considerably without actually changing the number of people below the poverty line. The *poverty gap index* addresses this shortcoming by measuring the shortfall between the income of poor households and the poverty line – the larger the distance, the greater the poverty gap.

World Bank data indicate that the poverty gap in India declined steadily from the late 1950s to the early 1990s, after which it has remained at the relatively low level of around 8% for both rural and urban areas. This means that a majority of the poor appears to be concentrated just below the poverty line, and thus, at least theoretically, even a limited effort would be sufficient to pull a significant proportion above the poverty line. At the same time, however, many people are clustered just above the line and remain highly vulnerable to shocks that could plunge them back into poverty.

In contrast to the poverty gap index, the *poverty severity index* (or the squared poverty gap) is sensitive to the distribution of income *among* the poor. A redistribution of income from a destitute individual to someone much better off (but still under the poverty line) will leave the poverty gap index unchanged, although it is clear that this transfer increases the severity of poverty in the population. The poverty severity index weighs the shortfall between an individual's income and the poverty line more heavily the further below the poverty line that the individual's income falls. The smaller the value, the more equal the distribution of income among the poor.

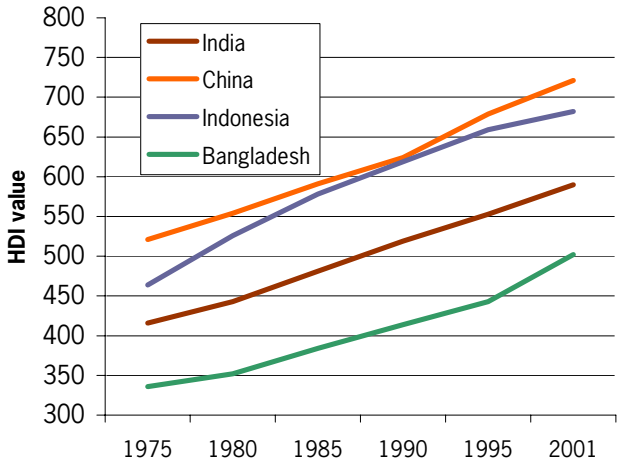
In India, the poverty severity index has declined faster than both the headcount index and the poverty gap index. Thus, the reduction of poverty has not simply been a process whereby a segment of the population that had previously been located just b elow the poverty line was able to lift itself above the line, while the remaining poor were left unaffected. Rather, poverty reduction has also brought about an improvement in the economic situation of those far below the poverty line.

3. Alternative Measurements of Poverty

Clearly, there is more to poverty than what can be measured by income and consumption. Composite indexes that include both economic and other poverty dimensions may provide more comprehensive information about the character of deprivation.

The Human Development Index (HDI) is perhaps the best-known composite indicator of poverty, measuring life expectancy, educational attainment and standard of living. Since 1975, the HDI value acquired by India has steadily increased – from 0.406 in 1975 to 0.433 in 1980, 0.472 in 1985, 0.510 in 1990, 0.544 in 1995, and 0.590 in 2001. However, at 127 out of 175 countries surveyed in UNDP's 2003 Human Development Report, India remains near the bottom of the "medium human development category", far behind countries like Indonesia and China, and just ahead of Myanmar and Cambodia.

HDI trends in select Asian countries 1975-2001



The National Family Health Survey, conducted in 1992–93 (NFHS-1) and 1998–99 (NFHS-2), is perhaps the most authoritative source of information in India on non-income indicators of poverty and human development. Based on a representative sample of approximately 90,000 ever-married women aged 15–49 years, it provides a unique database on the health and well-being of Indian households. Critical facts identified by the NFHS–2 include:

– An increase in school enrolment rates for children in the age group 6–14 years, from 68% in 1992–93 to 79% in 1998–99. Nevertheless, some 80 million children (50 million girls) are either out of school or enrolled but not attending school. Equally noteworthy are the high

dropout rates – 40% and 55% at the primary and upper primary level respectively – and, relatedly, the low median number of years of schooling – 5.5 for boys and 1.8 for girls.

- Fertility rates continue to decline in India. The total fertility rate is 2.9 children per woman and the crude birth rate is 25 per 1,000 population, which is about 0.5 children lower per women than in the early 1990s. In absolute terms, the population of India has, however, increased by 180 million during the last decade. By 2016, the total population is expected to reach 1,260 million, and by 2040 India is expected to surpass China as the world's most populous nation.
- Infant and under-five mortality rates have declined from 86 and 122 deaths per 1,000 live births 10–14 years ago to 68 and 95 deaths per 1,000 live births in 1998–99. Despite this decline, close to 2 million children die every year before reaching the age of one. Maternal mortality rates also remain high at about 540 deaths per 100,000 live births, meaning that more than 130,000 Indian women die each year from causes related to pregnancy and child birth.
- More than one-third of women in the age group 15–49 years are undernourished and almost half the children under age three years are underweight or stunted. On the whole, nearly 75 million children below the age of five remain undernourished.

The scale of Indian poverty means that the country's progress towards the MDGs will have a major bearing on whether these goals are achieved globally. For instance, according to World Bank estimates, the income-poor in India constitute more than 30% of the total number of poor in the world. Moreover, India accounts for 20% of the world's children out of school, 23% of the world's under-5 child deaths and 25% of the world's maternal deaths. In addition, the rapid spread of HIV/AIDS in the country could soon be a problem of global magnitude.

4. Assets, Vulnerability, and Powerlessness

Poor people's fears pertain to lack of assets and anxiety about their ability to survive in increasingly unpredictable and insecure environments. Vulnerability could be interpreted as a lack of key sets of assets, exposing individuals, households, and communities to increased or disproportionate risk of impoverishment.

Poor people in India are frequently hit by shocks, such as a job loss, harvest failure, a natural disaster or the illness or death of a breadwinner. Where the better-off households may be able to weather such drastic setbacks without losing their hold on savings or productive assets, the poor can be forced to take out unsecured loans or sell or pawn the few belongings they posses, including their land. If shocks are severe, repeated, or long-lasting, children may be taken out of school or whole communities may migrate in search of employment.

Clearly, the ability to draw on relationships with other people, or social assets, becomes critical for many of the poor. Participatory poverty assessments have shown that many communities in India have a high degree of social cohesion, manifesting itself in the pooling of resources and energies to support those in need. However, there is also evidence to

suggest that changes over the last decade – including increased commercialisation and urbanisation – have eroded traditional forms of social organisation based on solidarity.

Vulnerability is closely related to lack of power. While assets are usually considered to accrue to the household as a unit, it is often the men within the household who hold exclusive decision-making power over how these assets will be used, especially in times of crisis. Surveys have shown that in Madhya Pradesh and Uttar Pradesh, for instance, only about half of the women have access to money earned by the household. Other particularly exposed groups include children, the elderly, widows, the chronically ill, and the disabled. Unable to provide for themselves or to contribute adequately to the productive capacity of the household, they often remain partially or wholly dependent on their families for care and support.

Power could also mean political influence. As in other developing countries, the poor in India largely lack the leverage to ensure that state institutions serve them fairly and thus often lack access to public facilities or receive goods of inferior quality. In addition, widespread corruption works as a highly regressive tax whose incidence falls most heavily upon the poor. Nevertheless, there are also indications that poor people indeed feel that the Government addresses their particular needs. Increasing clientilism and the emergence of caste-based divides in politics is believed to be part of the explanation. Another noteworthy development is the decentralisation of powers and resources to locally elected councils (panchayats and urban local bodies), which has the potential to make government more accountable and representative. The contribution of decentralisation to the empowerment of the poor is too early to evaluate, however.

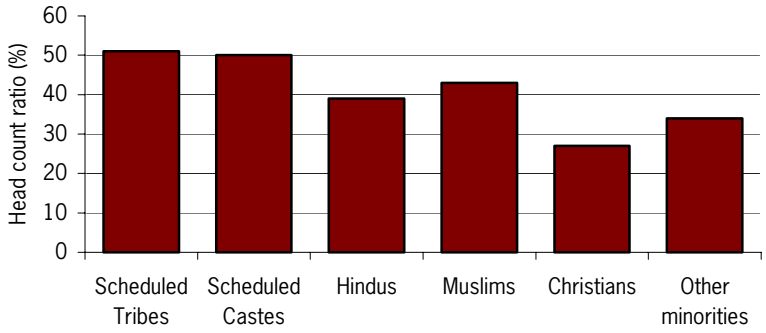
Finally, powerlessness and vulnerability increases the threat of physical violence. Particularly exposed are the poor, Scheduled Castes (SCs), Scheduled Tribes (STs), deserted women, women in prostitution, street children, refugees, and other social groups or individuals who tend to fall victims under a combination of deprivations, oppressive customs, the excesses of the police and security forces, and the indifference of the government as well as the judicial system. An emergency that has gone largely unnoticed is the widespread and reportedly increasing incidence of violence against women, as manifested in domestic violence, sexual assault, dowry-related violence, emotional abuse, workplace harassment, torture and political violence. Research indicates that all women, regardless of age, class, caste and community are vulnerable to domestic violence – marriage, education, economic security, and social status do not ensure any real protection.

5. Poverty and Social Identity

Concerns with identifying people affected by poverty and the wish to measure deprivation have at times obscured the fact that the poor are themselves a very heterogeneous group. Poor households differ with respect to the depth of poverty they experience, the material, human, and social resources they can marshal, the opportunities offered by their environment, and the strategies they employ in their struggles against poverty.

Nevertheless, it is clear that poverty in India is closely associated with caste. Despite a range of constitutional guarantees of equality and affirmative action, members of Scheduled Castes (SCs), which represent 17% of India's population, continue to be victims of systematic discrimination. Apart from having a poverty incidence in excess of 50% (1993/94), they lag behind other social groups in a wide range of socio-economic indicators. For instance, infant mortality among SCs is 81 deaths per 1,000 live births, compared to 57 among the rest of the population. The literacy level of 37% is similarly far below the national average of 63%. Members of the SCs are also particularly vulnerable to human rights violations due to their social and economic marginalisation.

Poverty among social and religious groups



An equally high incidence of poverty is found among Scheduled Tribes (STs). India has the largest tribal population in the world (over 70 million). These are among the structural poor who not only lack economic resources but whose poverty is strongly linked to their inability to cope with the consequences of their forced integration into mainstream society. Common concerns of tribal communities include land alienation, indebtedness, unemployment, poor education and health, inadequate housing, and involuntary displacement due to infrastructure development (such as large dams).

Poverty is also related to gender. Indian women fare worse than men on almost every indicator of poverty and human development. A good yardstick of gender equality is provided by the Gender-related Development Index (GDI). In 2003, India was ranked as 103 out of the 175 countries on the GDI ladder. Behind this position lies a gender gap of more than 20% in adult literacy rates, 13% in school enrolment, and more than US$ 2,000 in estimated annual income (Purchasing Power Parity terms). The only component of the GDI by which Indian women and men fare equally good (or bad) is life expectancy at birth – a low 63 years for both sexes. Nevertheless, this indicator should be viewed in the light of the abnormally low ratio of women to men in India (933/1000), which in turn is due to a number of discriminatory practises.

Inequalities and gender bias are not limited to social indicators, but are also present in the political system, the legislative framework, and the labour market. Indian women hold only 9% of the seats in the parliament and 10% of the positions in the government. In addition, a mere 3% of the country's judges are women, and they hold only 7% of civil

service posts. Perhaps even more disturbing is the fact that the work women do remains unappreciated and inadequately compensated, that they remain unable to gain equal access to inheritance and property, and that they face oppressive and rigid customs that perpetuate their disadvantage.

6. Poverty across States and Regions

In India, aggregate indicators of poverty hide massive variations across states. Currently, Orissa has the dubious distinction of having the highest proportion, 47%, of its population living below the poverty line. It is followed by Bihar, Madhya Pradesh, Uttar Pradesh and Assam. At the other end of the scale are states like Punjab, Haryana, Himachal Pradesh, and Jammu and Kashmir, all with a poverty incidence of less than 10%. In terms of sheer numbers, more than one-third (37%) of the poor in India live in Uttar Pradesh and Bihar, while more than one-fourth (29%) live in Madhya Pradesh, Maharashtra and West Bengal.

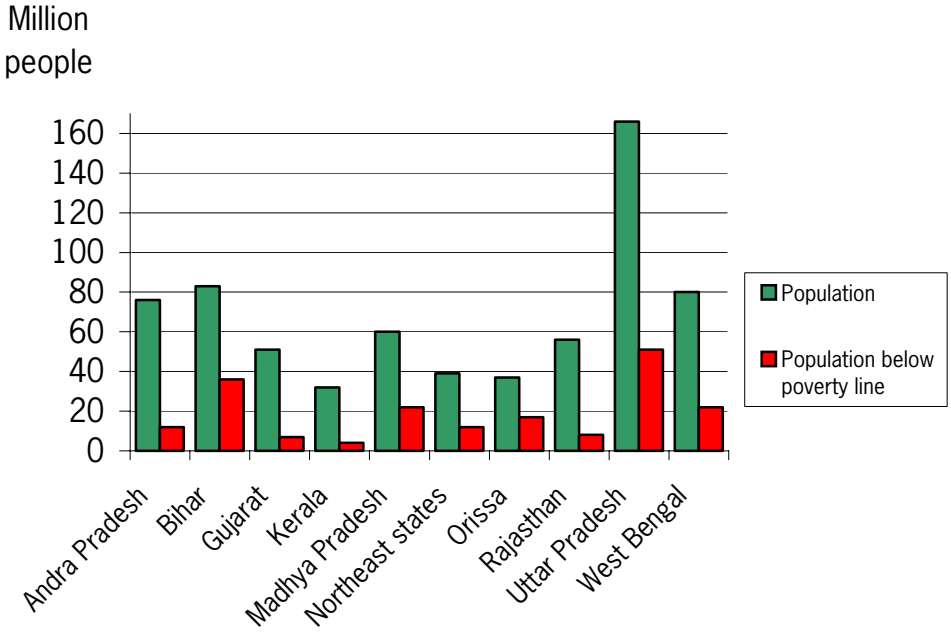
Perhaps surprisingly, the incidence of poverty in rural areas (27%) is only slightly higher than in urban areas (24%). In addition, while about three-fourths of the poor still live in rural areas, rapid urbanisation is expected to lead to a doubling of the number of urban poor over the next 25 years. The concentration of the urban poor is such that more than 50% of them live in four states: Madhya Pradesh, Maharashtra, Andhra Pradesh and Uttar Pradesh. Rural poverty is concentrated in Uttar Pradesh and Bihar (30%), and Madhya Pradesh, Maharashtra, Orissa and West Bengal (26%).

There are also significant differences between states when it comes to alternative indicators of poverty: Literacy rates range from a high 91% in Kerala to a low 48% in Bihar; infant mortality rates differ from 16 per 1,000 live births in Kerala to around 80 in Rajasthan and Orissa and as much as 86–89 in Madhya Pradesh, Uttar Pradesh and Meghalaya; and while the proportion of households with a toilet/latrine is as high as 85% in Kerala and 75% in the Northeast, it is only 17% in Bihar and 13% in Orissa. The examples are many.

Even though the states' performance varies with alternative indicators, Bihar, Orissa, Uttar Pradesh, Madhya Pradesh, and Rajasthan are almost always clustered at the low end of the ranking. By contrast, Kerala, Punjab, and Haryana usually have the best values irrespective of indicator used.

Generally, while disparities between states in non-income indicators are declining, albeit slowly, income gaps appear to be widening. According to most signs, since the late 1970s, indicators of poverty and human development have improved faster in Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu, West Bengal, and Punjab than in the rest of India's major states. This differential performance appears to have been accentuated in the 1990s, as the latter group of states has been less successful in exploiting the momentum for reforms to speed up growth and poverty reduction.

Population and poverty in select states



The direct relationship between reforms, economic growth and poverty is, however, far from clear as evidenced by the fact that there are also cases where less-reforming and slowly growing states, like Kerala, have made major progress in poverty reduction. It is, moreover, important to point out that many states are extremely heterogeneous and that state-level aggregates do not always give the complete picture. Some states, including Andhra Pradesh, Gujarat, Madhya Pradesh, Karnataka, Maharashtra, Tamil Nadu and West Bengal have achieved much higher rates of decline in rural poverty than in urban poverty. Others, such as Assam, Haryana, Jammu and Kashmir, Punjab and Uttar Pradesh, have done better with respect to urban poverty.

Indeed, the extent of disparity *within* a state can be just as acute as disparities across states. For instance, the poverty incidence in Uttar Pradesh's Himalayan region is significantly lower than in the state as a whole. Meanwhile, rural poverty incidence in Orissa varies between 49% in the northern and 69% in the southern part of the state. On the whole, poverty seems to be more widespread in regions dominated by rainfed agriculture with people living in the semi-arid and drought prone areas being the most vulnerable.

Summary

- From the mid-1970s, poverty in India has declined slowly but steadily. While debated, the latest national household survey indicates that as of 1999, 26% of the Indian population was living below the official poverty line.
- Alternative socio-economic indicators of poverty have improved faster than the head-count index. Nevertheless, India remains near the bottom of the "medium human development category" in the Human Development Index.
- As traditional forms of social organisation based on solidarity have been eroded, vulnerability and powerlessness have emerged as important indicators of poverty in India.
- Scheduled Castes and Scheduled Tribes lag behind other groups in a wide range of poverty indicators. They also face systematic discrimination and abuse.
- Indian women fare worse than men on almost every indicator of poverty and human development. This situation is exacerbated by gender biases in the social, political, institutional and legal framework.
- While about three-fourths of the poor still live in rural areas, rapid urbanisation is expected to lead to a doubling of the number of urban poor over the next 25 years.
- Poverty across states varies with alternative indicators. Nevertheless, the populous states of Bihar, Orissa, Uttar Pradesh, Madhya Pradesh, and Rajasthan are almost always clustered at the low end of the ranking.
- Even though disparities between states in non-income indicators appear to be declining, income gaps are widening. The latter trend has been accentuated in the 1990s and may be related to the states' willingness and capacity to undertake reforms.
- The extent of disparities in poverty within a state can be just as acute as disparities across states. On the whole, poverty seems to be more widespread in regions dominated by rainfed agriculture.

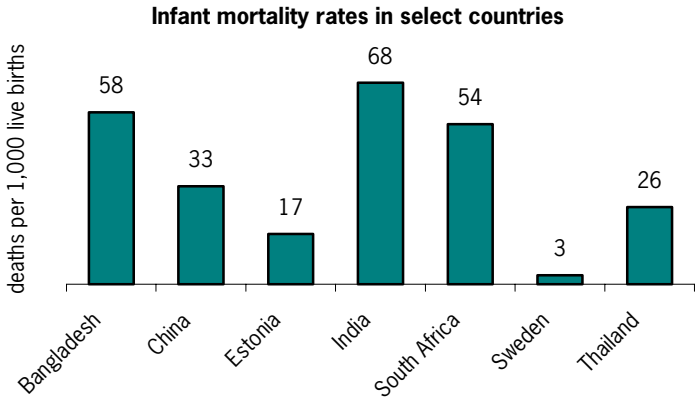
II. Poverty, Social Development, and the Environment

The initial mandate given to Sida by the Swedish Government clearly states that the future development co-operation with India should be concentrated to two areas: poverty and social development and poverty and the environment. The following section includes a more detailed analysis of these areas. While recognising linkages and the need for a holistic approach to poverty reduction, the analysis is for reasons of clarity divided along sectoral lines. Separate sections are devoted to the following issues: health and nutrition, education and literacy, labour and employment, urban development and environment, rural environment and natural resources, and HIV/AIDS.

1. Poverty and Social Development

1.1 Health and Nutrition

Over the last three decades, significant headway has been made in improving the health outcomes of the Indian population. Since 1975, the average life expectancy at birth has increased from 50 to 63 years (same for both sexes) and the infant mortality rate has fallen by half. Moreover, significant progress has been achieved in immunising children, in providing access to safe drinking water, and in the control and eradication of smallpox and the guinea worm. The number of leprosy cases has fallen from 1.7 million in 1992 to 0.5 million in 1999, and polio has been nearly eliminated.



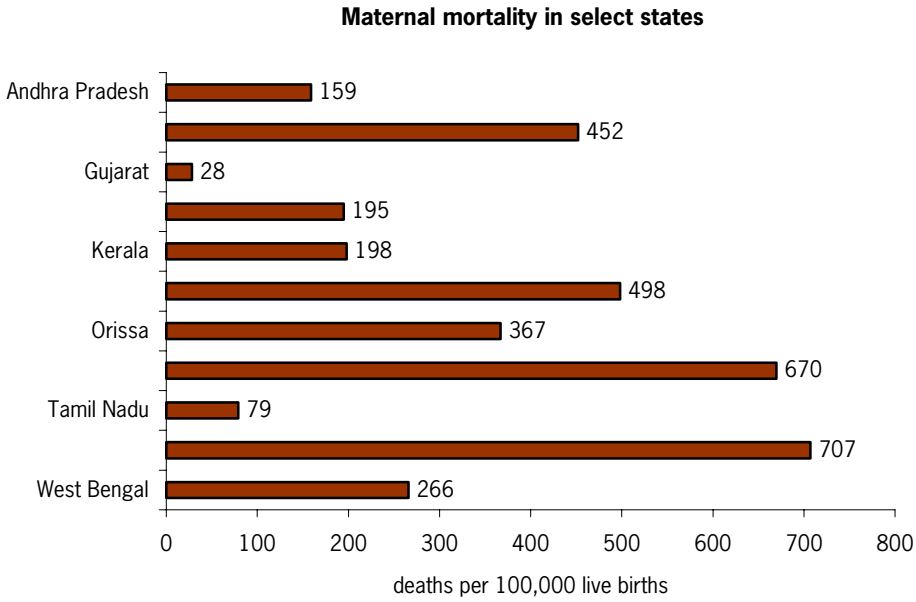
Slow change in health outcomes

However, there are worrying signs that the pace of improvement in key health status indicators has slowed down and even stalled in some cases in the past decade. Infant mortality rates, for instance, were only marginally reduced during the 1990s, and remain unacceptably high at around 70 deaths per 1,000 live births. In addition, micro-level studies reveal that there has been little or no change in maternal mortality over the last 15 years. In 1998/99, the maternal mortality rate was estimated at 540 deaths per 100,000 live births, implying that some 130,000 women die each year in India due to pregnancy- and birth-related complications. Unsafe abortions contribute to around 10% of these deaths.

Furthermore, closely related to maternal and child health, the prevalence of under-nutrition has shown only modest declines in the last 20 years. As of 1998/99, more than one-third of all women in the age group 15–49 years were undernourished and almost half the children under age three years were underweight or stunted. Anaemia is widespread among both women and young children with more than half of the women and three-fourths of children age 6–35 months being anaemic.

As in the case of other development indicators, such figures and trends hide significant regional variations. According to the NFHS-2, infant mortality rates are as high as 80–90 deaths per 1,000 live births in Rajasthan, Madhya Pradesh, Uttar Pradesh, Orissa and Meghalaya. At the other end of the spectrum, Kerala has the remarkably low rate of

16 deaths per 1,000 live births, followed by Himachal Pradesh, Manipur, Mizoram, Maharashtra, Sikkim and Nagaland (all between 34 and 43). Similarly, more than 6 out of 10 women in Assam, Bihar, Orissa, and West Bengal are anaemic, compared to 2 in Kerala and 3–4 in Delhi, Himachal Pradesh, Punjab, Manipur, Nagaland and Karnataka.



Although urban areas consistently have better health outcomes than rural areas, poor people living in urban slums generally lack access to adequate health facilities, safe drinking water, and appropriate sanitation. Urban areas have also recorded the fastest growth in HIV infections, with more than 1% of pregnant women testing positive in metro-cities like Mumbai, Hyderabad, Bangalore, and Chennai. According to official sources, India has 3.9–4.6 million HIV-infected people as of 2003 (see section II:3). The incidence of other major infectious diseases is also alarming; the total number of cases of malaria and tuberculosis are 2.6 million and 1.9 million respectively.

Women's health neglected

Women's poor health is perpetuated by their low socio-economic status, limited control over resources in the household, and lack of autonomy in taking decisions about their own health (surveys indicate that only about half of Indian women participate in decisions about their own health care). Among the more direct causes is inadequate access to antenatal care. According to the NFHS-2, there was no change from 1992 to 1999 in the proportion of mothers receiving antenatal check-ups, with one-third of births preceded by no professional consultation at all. Similarly, only one-third of deliveries in India take place in health facilities and is assisted by trained birth attendants. All in all, reports reveal a high prevalence of reproductive health problems (RTI/STI) among women in all socio-economic groups of the population.

The poor spend the most, benefit the least

Not surprisingly, the poor in India suffer from a high burden of disease. Compared to the richest 20%, the poorest quintile has about 2.5 times the infant mortality and under-five mortality rates, and nearly 75% higher rates of child malnutrition. Furthermore, the poorest quintile is half as likely to use modern contraception, less than a third as likely to have antenatal care during pregnancy, and a sixth as likely to have a delivery by a medically trained health worker. Poor children are also a third as likely to be immunised.

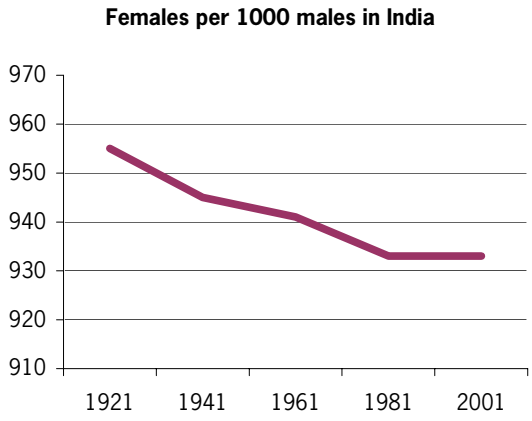
At the same time, rural households below the poverty line typically spend 20% of their income on health care, while the average Indian household spends about 6%. The high levels of health care spending among the poor have a range of possible implications. These include cutbacks on other consumption like food; which have a direct impact on nutrition and health status, increased economic indebtedness, and growing gender biases in health seeking behaviour. In addition, the timing, duration and frequency of illness also affect its impact. For instance, a study in South India found that illness during the peak agricultural season leads to a heavy loss of income.

Demographic transition causes concern

India continues to be in the middle of a demographic transition. While crude death rates have been declining since the 1920s, crude birth rates started to fall only after independence. Consequently, a rapid growth in the country's population has taken place over the last five decades. As per the latest Census (2001), India has a population of 1,027 million, implying that there has been an increase of over 180 million in the 1990s alone. This growth can be compared to the entire population of Pakistan (141 million), Bangladesh (137 million) or Japan (127 million). By 2040, India is expected to surpass China as the world's most populous nation.

Even though there has been a steady decline in the annual average growth of the population since the early 1970s, the time and the magnitude at which the country's population stabilises will be determined by developments in some of the largest and poorest states. Bihar, Uttar Pradesh, Madhya Pradesh and Orissa account for nearly 40% of the country's population and will contribute well over 50% of the population growth in the next decade. These states all have a large segment of the population in the reproductive age group.

Another important concern in the present stage of India's demographic transition is the adverse sex ratio. Even though the number of women per 1,000 men has increased from 927 to 933 over the last decade, there is little reason to be complacent. In fact, the current ratio remains far below even what it was a century ago (972 in 1902), and in the below-seven-year age group there are only 927 girls per 1,000 boys as against 945 in 1991. North-western India – including Punjab, Haryana, western Uttar Pradesh, Rajasthan and northern Madhya Pradesh – has the lowest sex ratios in the country. Kerala is the only state with a positive sex ratio.



The significantly lower sex ratios of the North-western states is generally linked to high female and maternal mortality rates, in turn explained by high rates of undernutrition and differential access to health services. However, the worsening sex ratios in the lower age groups also point to the widespread prevalence of pre-natal sex determination and sex selection practises, and the elimination of female foetuses. This in turn highlights the impact of certain perverse social and cultural factors related to marriage practises and dowry, as well as the role of women in household-level decision-making.

Health and environment

The past decade of industrial development and rapid economic growth in India has been accompanied by increasing air and water pollution, solid waste generation, and energy use as well as degradation of natural resources such as water and forests. The implications of all this for the health and well-being of the Indian population are enormous. One study has shown that, during the first half of the 1990s, close to one million deaths per year could be attributed to water borne diseases, e.g. diarrhoea. Another study has indicated that exposure to suspended particular matter have lead to 2.5 million premature deaths. The most severely hit are often the poor, who are forced to live in environments particularly susceptible to environmentally-induced diseases, in slums, close to polluting factories, waste dumps, and effluent-laden rivers.

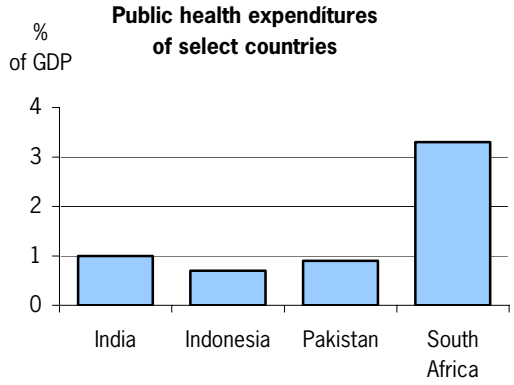
Favourable health policy amid quality concerns

India has a vast network of rural health institutions, including fixed-site dispensaries in local communities, sub-centres, Primary Health Centres (PHCs), Community Health Centres (CHCs), and block-level and District Hospitals. Visiting Auxiliary Nurse Midwives stationed at sub-centres and PHCs provide outreach services to children and pregnant women, and Anganwadi workers also provide nutrition services and assist with immunisations and preventive care. Services to the poor at all facilities are free, though nominal user fees have been introduced in some states for the non-poor at CHC level and above.

However, although the infrastructure exists in most states with a large pool of health service delivery personnel and well established systems and processes, the rural health sector continues to suffer from poor facilities, inadequate supplies, poor managerial skills and lack of proper

monitoring and evaluating mechanisms. Meanwhile, no systematic efforts have been made to improve urban health services, which as a result have developed on a rather ad hoc basis and in a haphazard manner.

A positive development is the major paradigm shift in the Indian government's approach to health and family planning that has taken place since the International Conference on Population and Development (ICPD), held in Cairo in 1994. As reflected in the Reproductive and Child Health Programme, there is now a clear movement towards a more responsive, quality-oriented and decentralised public health system. There has also been a change in focus in the policies related to population growth, mental health, adolescent health, and disability.



Abysmal public spending

While promising, the success of the new policies, strategies and programmes depends on a substantial increase in the budgetary allocations to the health sector. The public health system continues to suffer from an acute shortage of funds with total government spending in the sector lingering below 1% of GDP. Similar low levels of spending are found in sectors such as water and sanitation, nutrition, and education – all critical determinants of good public health. For instance, at 0.5% of GDP, India spends far less on nutrition programmes than what is needed to reduce the high rates of malnutrition.

The skewed allocation of resources *within* the health sector compounds the problems. Firstly, public sector health spending is significantly lower in the poorer states, where health outcomes are also poorer. Secondly, resources have been directed in favour of tertiary services, at the cost of the needs at primary and secondary levels. Thirdly, the lion's share of the health budget is used to cover salaries, buildings and other fixed assets, leaving little room for qualitative improvements and long-term investments.

Progress also rests on the ability and willingness of state governments to increase the accountability of public health care providers by delegating powers to panchayati raj institutions (PRIs). Although the district is the administrative unit for the implementation of health programmes, its role in planning has remained limited. Instead, non-governmental organisations (NGOs) have emerged as important players in several government health programmes. For instance, the Reproductive and Child Health Programme builds on the experience of some 60 "mother NGOs" which channel government funds to more than 600 NGOs

across the country. Strong women's movements have played important roles in focusing attention on issues of inequity and discrimination and promoting ethics and human rights, including reproductive rights.

External assistance in the health sector has mainly been channelled through centrally sponsored programmes for communicable disease prevention and family welfare, with the 1990s witnessing a change in focus from blindness control and leprosy to tuberculosis, malaria and HIV/AIDS. The World Bank and ADB are the most prominent external financiers of programmes in these areas.

Unregulated private sector

The private sector clearly has a key role in the delivery of health services to the poor and non-poor alike. It is estimated that 40% of the inpatient and 75% of the outpatient care is provided through the private sector, although outpatient care varies widely between states. People living in extreme poverty, however, often opt for government hospitals or go without quality care. Also, for preventive and promotive services like immunisation, antenatal care, and contraception, the public sector remains the main provider.

The private sector includes a large number of individual practitioners – herbalists, indigenous and folk practitioners, and others – and a wide variety of clinics, nursing homes, hospitals and diagnostic centres. Although there has been no systematic and comprehensive analysis of the private sector at large, there are widespread reports of poor quality of care, overmedication, over-charging of patients, and inappropriate use of technology. Medical records, standards and processes to ensure quality and accountability to patients are largely missing.

Representing a major component of the private health sector in India, the pharmaceutical industry has penetrated the most remote rural areas. At the same time, however, the price of many essential drugs has doubled in recent years, making public as well as private health care more expensive. In addition, lack of quality control and poor distribution of these drugs continues to present a problem.

Summary

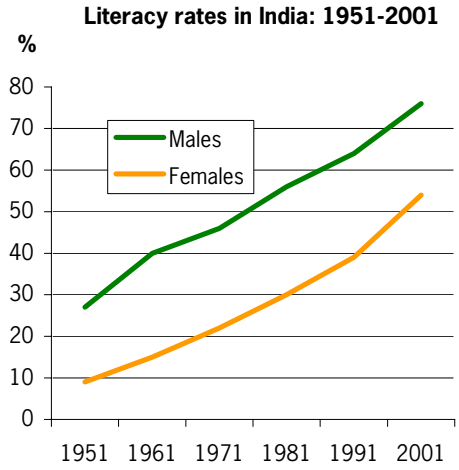
- Significant progress has been achieved in improving the health outcomes of the Indian population during the last few decades.
- However, there are worrying signs that the pace of improvement has slowed down and even stalled since the early 1990s.The infant and maternal mortality rates remain unacceptably high as does the prevalence of undernutrition.
- Health outcomes vary significantly across regions and states. Rajasthan, Madhya Pradesh, Uttar Pradesh, Orissa and Northeast India are worst off by many indicators.
- Urban areas consistently have better health outcomes than rural areas, although these figures do not fully reflect the huge disparities within urban areas.
- The incidence of major infectious diseases – HIV/AIDS, tuberculosis and malaria – is alarming.
- Women's reproductive and sexual health continues to be neglected. Their low socio-economic status, limited control over resources and lack of autonomy exacerbate the situation.

- The poor suffer disproportionally from health problems, resulting in high levels of spending on low quality health care.
- While India has experienced a steady decline in population growth since the early 1970s, the adverse and, in some states, worsening sex ratio is distressing. This indicator reflects high maternal mortality rates but also points to the widespread elimination of female foetuses.
- There are clear links between the degrading environment, particularly in urban areas, and the poor health outcomes of the Indian population.
- Despite ambitious policy agendas and commitments, public spending on health remains abysmal. The increasingly skewed allocation of resources within the health sector and the absence of comprehensive health reform compound the problems.
- The private sector remains virtually unregulated and provides a widely variable quality of health care.

1.2 Literacy and Education

India has made great strides in education over the last few decades. A major indication is the significant rise in total literacy rates, particularly since the early 1990s. According to the Census of India, 64% of the adult population was literate as of 2001, compared to 52% in 1991. Female literacy has shown the most rapid increase, from the extremely low 9% in 1951, to 39% in 1991 and 54% in 2001. Even in some of the poorest states, like Uttar Pradesh, Bihar, and Rajasthan, significant improvements in literacy have been registered, albeit from very low bases. As a result, for the first time India has seen a decadal decrease in the absolute number of illiterates.

School enrolment rates have also steadily improved, especially at the primary level. While the Central Government claims that 99% of the boys and 82% of the girls aged 6–10 are enrolled in school, other sources report high but more modest figures. (Enrolment rates in official statistics often exceed 100% due to inclusion of over-age, under-age, and repeat students).



Disparities in access

Despite such improvements, close to 300 million people in India – some 190 million of them women – remain illiterate. Moreover, out of approximately 200 million children in the age group 6–14 years, 80 million (50 million girls) are either out of school or enrolled but not attending school. Equally noteworthy are the high dropout rates – 40% and 55% at the primary and upper primary level respectively – and, relatedly, the low median number of years of schooling –5.5 for boys and 1.8 of girls. It is clear that although the participation of girls at all levels of education has increased substantially, gender inequality remains a major barrier to achieving universal elementary education in India.

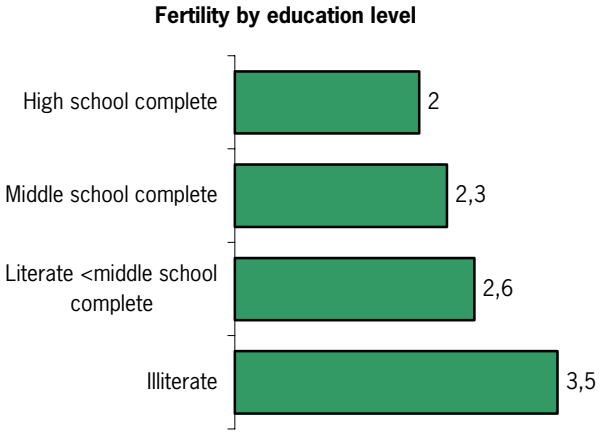
Apart from disparities across genders, the level of schooling and literacy varies widely across states, between rural and urban areas, as well as among different ethnic and social groups. For instance, while the literacy rate for the country as a whole is 65%, it surges as high as 91% in Kerala and drops as low as 48% in Bihar. Similarly, overall completion rates of primary school (eight years) ranges from 78% in Karnataka, 62% in Maharashtra and 55% in Tamil Nadu, to below 40% in Uttar Pradesh, Bihar, Orissa and Madhya Pradesh.

In addition, disaggregated data on out-of-school children reveal an overrepresentation of certain groups like working children, those in urban slums, residents of far-flung habitations, SCs, STs, and nomadic groups. It is estimated that there are about 6–10 million children (out of the total child population of 200 million in 2001) with special needs in India in the 6–14 age group, and out of this only about 1 million are attending school. Another overlooked group is the adolescents, viz. the age group from 10–20 years. In India, about 70% of adolescents are out of school and have few opportunities to take advantage of the education programmes currently in place.

Poverty, education and health interrelated

As in other countries, low levels of education and literacy are directly linked to poverty. Interviews conducted in Bihar and Andhra Pradesh for the World Bank study "Voices of the Poor" indicate that lack of education is perceived as a common cause of poverty. Quantitative data confirm such links, revealing that fewer than half of the children from poor households enrol, and when they do, only one in five complete primary education.

Not surprisingly, education and health outcomes are also closely related. For instance, women with no schooling are less likely to use contraceptives and more likely to have many children, which in turn often keeps them and their families mired in poverty. The children of such women are more likely to be malnourished and less likely to be enrolled in school. Finally, there are strong linkages between the lack of quality education and the problem of child labour in India (see section II:3).



Quality of education neglected

Low school enrolment and retention rates were for a long time attributed to a lack of schools and teachers. Consequently, there has been a major drive to expand education infrastructure with an increase in the number of primary schools from some 200,000 in the early 1950s to 600,000 in 2000. The number of upper primary schools has surged by about 15 times, and there are now 245 universities, nearly 12,000 colleges, in addition to a large number of unrecognised institutions in the higher education sector. During the same period, the number of elementary school teachers has increased five-fold, to around 3.2 million in 2000. According to a survey in 1993, 94% of the rural population has access to primary

schools within a distance of 1 km, and 85% to upper primary schools within a distance of 3 km.

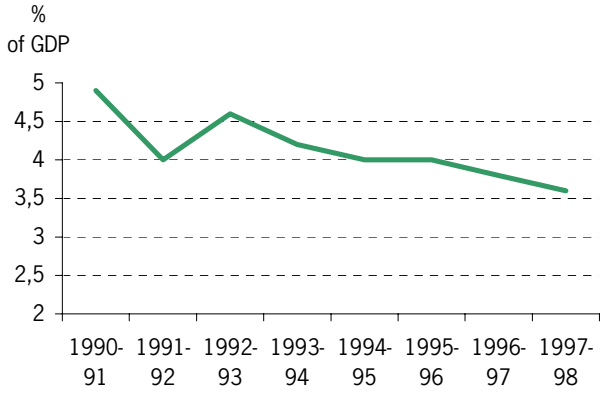
However, lack of schools and registered teachers only partially explains the high dropout rates and the high numbers of out-of-school children. Equally important factors are high teacher absenteeism, a high teacher-pupil ratio (around 1:40 in primary classes), shortage of textbooks and teaching material, inadequate teacher training, and lack of drinking water facilities and lavatories in schools. Also, few schools have made any serious effort to involve students, teachers, or local governments and communities in the management of the school environment.

Commitment lacking financial back-up

India's five-year plans from 1952 to the present have all stressed the need for expanding primary education. Since the adoption of the second National Policy on Education in 1986 and the Jomtien Conference on Education for All in 1990, the thrust of this effort has been on expansion of education, elimination of disparities in access, and improvement of the quality and relevance of education. In 2001, the commitment to education for all was reinforced by the passing of the 93rd Constitutional Amendment, making education a fundamental right for children 6–14 years of age and expanding the provision for children up to the age of six.

In spite of such pledges, government expenditure on education has remained below or just over 4% of GDP (4.1% in 2000/2001), far from the six-percent target set in the 1986 National Policy on Education. As in other areas, expenditure varies considerably from one state to another. In 1995–96, state education spending ranged from 3 to 7% of GDP in the major states. Generally, wealthier states have a higher per capita expenditure on elementary education than the rest. Across the line, low expenditure is distorted by an inordinately high share of teacher salaries (97%) in total recurrent spending at the elementary level, leaving little room for non-salary expenditure. In addition, even though the last 15 years have witnessed a significant shift in expenditure towards elementary education, it still receives a much smaller level of subsidy per student compared to secondary and tertiary education.

Public education expenditure in India



Attracting international assistance has had an important role in the Central Government's strategy to mobilise more resources for the education sector. Since the mid-1990s, a plethora of multilateral and bilateral do-

nor agencies – including the World Bank, the European Commission, UNDP, UNICEF, and DFID – has contributed to the efforts of the Government to improve primary education. Nevertheless, the collective contribution of such agencies has remained below 5% of the total public expenditure on education.

Education programmes evolve and merge

Despite the low levels of public spending on education, the Central Government has launched a large number of education programmes during the past ten years, including Operation Blackboard, the Education Guarantee Scheme, Alternative and Innovative Education, Mahila Samakhya, Teacher Education, Mid-Day Meals Scheme, Shiksha Karmi Project, Lok Jumbish, and the District Primary Education Programme (DPEP). Specific National Child Labour Projects have also been initiated in a number of states.

Goals of Sarva Shiksha Abhiyan

- All children of age 6–14 years in schools, education guarantee centres, or bridge courses by 2003
- All children of age 6–14 to complete five years of primary education by 2007
- All children of age 6–14 to complete eight years of schooling by 2010
- Elementary education of satisfactory quality with emphasis on education for life
- Gender and social category gaps eliminated at primary stage by 2007 and in elementary education by 2010

Together, these programmes have incorporated a great deal of innovation and experimentation aimed at improving education services, including the use of local para-teachers, changes in the curriculum, and the establishment of evening schools for working children. In the coming years, all such schemes will be merged into one programme, Sarva Shiksha Abhiyan (SSA). According to the benchmark set, the programme will ensure that all children complete five years of primary schooling by 2007 and eight years of schooling by 2010. It will also seek to achieve universal retention and to bridge all gender and social category gaps at the elementary level by 2010.

Decentralisation generates optimism and caution

One of the most promising developments in the past decade is the decentralisation of educational administration to the panchayati raj institutions (PRIs). This move is expected to improve education by generating more community support, more school-level responsibility for effective instruction, and a decentralised system for resource mobilisation. Moreover, recent programmes have introduced new structures in the form of village education committees, parent-teacher associations, school betterment and management committees, and the like, to ensure greater community participation.

The role of NGOs and the private sector

NGOs have been given an important place in the implementation of basic education programmes. In many cases, the NGOs have been in-

strumental in mobilising community resources to improve the physical conditions and overall learning environment in schools. NGOs have also played an important role in the promotion of girls' education, as illustrated by projects like Shiksha Karmi and Lok Jumbish. All in all, it is recognised that NGOs have a tremendous creative potential to contribute to improving the quality of education programmes.

Simultaneously, available evidence indicates that private schools have been expanding rapidly in recent years. There is a popular perception that increased parental demand for education, on the one hand, and the declining quality of government schools on the other, inevitably will lead to a greater reliance on the private sector. At the same time, private schools remain outside the reach of the vast majority of the poor. In fact, recent research reveals the emergence of a new stratification, a 'hierarchy of access' wherein the less well off, girls and socially marginalised (e.g. SCs and STs), are clustered in alternative and government primary schools, with the better off, primarily upper caste boys, steadily shifting to private schools.

Summary

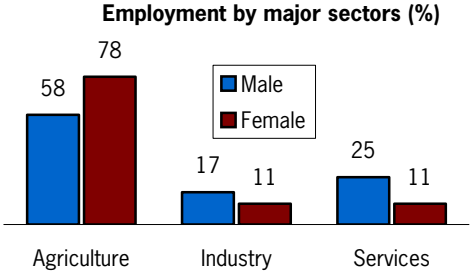
- India has made great strides in education over the last few decades, as reflected in the significant rise in literacy rates and school enrolment rates.
- Nevertheless, close to one-third of the Indian population remains illiterate and about two-fifths of Indian children are either out of school or enrolled but not attending school.
- Although the enrolment rates for girls have increased substantially, gender inequality remains a major barrier to the achievement of universal elementary education in India.
- Working children, residents of urban slums and far-flung habitations, SCs and STs are over-represented among children not attending school.
- Even though adolescents make up one fifth of India's population, none of the existing education programmes or policies has specifically targeted this group.
- Levels of education and literacy are closely linked to poverty, as reflected in the lower enrolment and literacy rates of poor households. Likewise, education and good health are positively related.
- While there has been a major drive to expand education infrastructure and increase the number of school teachers, the quality of education as reflected in the actual presence of teachers and the supply of education material has been largely neglected.
- In spite of a strong political commitment to education for all, government expenditure on education remains highly inadequate. An inordinately large share of teacher salaries in total recurrent spending further distorts the low expenditure.
- Decentralisation and community participation is expected to make education more relevant to the needs of different groups, including the poor.
- The declining quality of government schools has lead to a greater reliance on private schools. However, these remain outside the reach of the poor.

1.3 Labour and Employment

The level of employment, its composition and the growth in employment opportunities are critical indicators of the process of development in any economy. It is also an indicator that, in most cases, directly captures the economic attainments of individuals.

Because of the nature of the Indian labour market, the data on employment are not entirely adequate or even reliable. Of the total employment in the country, nearly 90% is in the unorganised or informal sector where information on the magnitude and composition of employment, as well as the compensation to the employees, is available only through periodical surveys. Official figures reveal that the number of job seekers in the organised sector is rising by approximately 2.5% per year. This could be compared to the growth in actual employment opportunities, which in recent years have been close to zero or even negative. Consequently, the incidence of open unemployment has reached close to 3%. Among the major states, Kerala has the highest incidence of unemployment at nearly 8%.

The steady decline in the availability of agricultural employment in the last few decades is particularly noteworthy. While agriculture and allied activities still employ close to 60% of the workforce, the 1990s have seen a declining demand for agricultural labour on account of high population growth, increasing mechanisation of farm processes, and declining productivity in the sector as a whole. The lack of employment opportunities in rural areas has in turn pushed many poor to migrate to the cities, where they are usually forced to take up wage work under exploitative and strenuous conditions. Many maintain a portfolio of jobs in the informal sector and move from one to another depending on the availability of employment.



Meanwhile, unionisation is low with nine out of ten workers remaining outside a union in the unorganised or informal sector with little protection under labour laws. In the organised sector, trade unions representing employees in public enterprises are still strong but are facing tough challenges as the trend in most industries is to reduce permanent employment and to use more contract, temporary and causal workers. Enforcement of labour laws is, moreover, seriously hampered by the backlog of cases in the court system.

Exploitation of women in the labour market

Women are usually the most exposed and least protected in the labour market. The bulk of the female workforce is found in the informal sector

(95%) and in the low end of the labour market – in badly paid jobs with little security and few benefits. Despite labour laws that exist to ensure wage equity, gender-based wage disparities exist across all sectors and in all occupations. On the whole, studies have found that, for roughly the same type of work, women in rural and urban areas are paid about 60% and 80% respectively of what men are paid.

Moreover, data on economic activity and wages do not fully reveal the true workload of women. As in other countries, Indian women usually work far longer hours than men but a lot of the work they do is in the realm of caring, nurturing and domestic work. Furthermore, evidence suggests that seasonal and long-term migration of male labour has meant that women have had to assume additional responsibility for agriculture and other household production.

One of the most pervasive forms of exploitation in the labour market is prostitution. While there are no reliable aggregate figures on the number of women in prostitution, estimates based on observations in metropolitan cities point in the direction of more than one million. Particularly worrisome is the high incidence of child prostitution. According to the International Labour Organization (ILO), 15–30% of India's prostitutes are children (younger than 15 years), many of who are trafficked from Nepal and Bangladesh or within India's borders. Recent NGO reports claim that especially inter-state trafficking, primarily from rural to urban areas and from poorer states like Bihar to richer states like Maharashtra, has been increasing in recent years.

Pervasive child labour

Children constitute another very vulnerable group in the labour market. However, discussions of child labour are marked by problems of definition and measurement. Official estimates of the number of working children (up to 15 years) in India range from 17 million to 23 million, with unofficial estimates reaching as high as 115 million. Official statistics tend to exclude children working in the informal sector, domestic work, and unpaid work, while many unofficial estimates are based on the number of children who are not attending school.

Basic facts on child labour in India

- Estimates range from 17 million to 115 million working children
- A large majority of the working children are found in the agricultural sector
- India's Child Labour Act bans employment of children under 14 years in hazardous occupations
- India has ratified the CRC but not ILO C138 and C182

Children's participation rate in the work force is strongly influenced by a number of social factors, such as caste, class, and gender, with the workforce participation rate of, for example, lower-caste girls being much higher than that of upper-caste boys. According to official sources, approximately 80% of child workers are found in the agricultural sector. The other main sectors are mining, construction, and manufacturing. Girls are particularly common in domestic work, both at home and as domestic servants.

Although children work for many reasons, poverty is generally seen as the root cause. Children are often prompted to work by their parents to augment the income of the household. While some observers claim that poor people send their children to work because they do not understand the value of education, a more plausible reason is that education may carry little value in its present form. Education may be inaccessible, expensive, of poor quality, or irrelevant to children's needs.

While the Central Government has formulated a national plan of action to combat trafficking and a national policy on child labour, progress ultimately depends on how actively such instruments are enforced. A recent initiative is the National Child Labour Projects, 100% funded by the Government and including rehabilitation of children withdrawn from work, prevention of children entering work, and increased coverage of services, e.g. non-formal education, vocational training and health care.

Wage and employment programmes remain ineffective

The Central Government supports a large number of special programmes to increase the economic opportunities of particularly vulnerable groups. Presently, two types of programmes dominate the scene. While the first type seeks to provide the poor with income from wage-employment in public works, the second type is geared towards capacity building and credit assistance for promotion of self-employment and micro-enterprises.

Recent evaluations have, however, pointed to a number of weaknesses in several of these programmes. Generally, the wage employment schemes have been the least effective, many of them characterised by inadequate employment, thin spread of resources, violation of material labour norms and fudging of muster rolls. The government's Approach Paper to the Tenth Five-Year Plan (2002–2007) points out that access to credit provided under the Integrated Rural Development Programme in some cases has led to more indebtedness rather than sustained income generation, and the programme has benefited significant numbers of non-poor at the cost of the poor.

In response to such shortcomings, more innovative schemes building on a demand-driven approach to vocational training have been tested. So far, such initiatives have, however, been very localised, and there is a huge unmet need for vocational training coupled with micro-credit. The lack of access to credit is largely due to the inability of poor people to provide collateral and the complex process of obtaining a bank loan. As a result, the vast majority of the population continues to rely on informal moneylenders, who usually offer only short term loans (on a daily, weekly, or monthly basis) at high interest rates.

Summary

- Trends in labour market performance in India are difficult to ascertain due to the dominance of informal sector employment, which is believed to account for more than 90% of total employment.
- Evidence points to a declining demand for agricultural labour on account of population growth, increasing mechanisation and declining agricultural productivity.
- Decreasing job opportunities in rural areas has pushed many poor to migrate to the cities, where they are usually forced to take up wage work under exploitative conditions.
- Unionisation remains low due to the dominance of informal sector employment. Enforcement of labour laws is also seriously hampered by the backlog of cases in the court system.
- Women are usually the most exposed and least protected in the labour market. With increasing migration, women have also assumed additional responsibility for agriculture and other household production.
- The high incidence of child prostitution in India appears to be related to increasing trafficking of women and children from neighbouring countries and from poorer to richer states.
- Irrespective of definition used, child labour in India is a cause of great concern. Poverty and lack of access to quality education are generally seen as the root causes.
- Despite reforms, wage and employment programmes as well as credit schemes remain thinly spread and poorly targeted. There is a huge unmet need for vocational training coupled with microcredit.

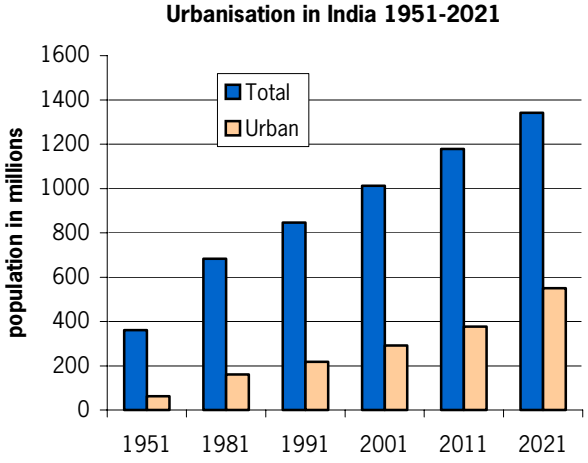
2. Poverty and the Environment

2.1 The Urban Environment

While the world's population has doubled in the last 40 years, the number of people living in urban areas has increased five-fold. Today, about half of the people in the world live in or around cities. During the next 30 years, 90% of global population growth will be in urban areas.

The face of urban India has changed dramatically during recent decades. India's central and state governments have made considerable progress in bringing about economic reforms and greater liberalisation, which has resulted in the emergence of cities as the engines of economic growth. India's cities now contribute over 50% of the country's GDP and raise more than 90% of all government revenues. At the same time, the rapid urbanisation during the past decade has coincided with a worsening of environmental problems and, relatedly, increasing pressure on urban services and infrastructure. Inevitably, it is the poor and most vulnerable who are excluded and who end up paying higher prices for lower quality services provided by the informal sector. In 1999/2000, the income-poor in urban areas totalled 67 million, representing nearly one-quarter of the total urban population. If the urban population rises to 40% of the total population in the next 25 years, as is expected, the urban poor could triple to 200 million people or more should remedial action not be taken.

The concentration of the urban poor is such that more than 50% of them live in four states: Madhya Pradesh, Maharashtra, Andhra Pradesh and Uttar Pradesh. On the whole, however, there are extensive and severe problems of poverty in all Indian cities and towns, regardless of economic development or location.



Poor housing

Growing slums is a major issue associated with urban poverty. It is estimated that around 100 million people live in slum settlements in urban areas. In Mumbai, the commercial capital of India and one of the richest cities in terms of human and financial capital, almost half of the 12 million residents are either slum dwellers or homeless. A large number

of the slums are not recognised by the authorities, meaning that the people living there are virtually denied citizenship and live with a constant fear of eviction.

Delhi slums

- 1,500 shanti colonies in Delhi house over 3 million people
- The average population density in a shanti colony is 300,000 people per square km
- An average dwelling houses 6–8 people, yet measures only 2 x 2.5 meters
- One water pump on average serves 1,000 people
- Where latrines are provided, the average is one latrine per 27 households

Housing finance is provided under centrally sponsored schemes, via NGOs, and through donor-assisted slum improvement programmes. The latter have included upgrading of infrastructure, provision of credits to poor people to develop their housing, as well as the delivery of basic services. However, the Central Government's housing schemes are fraught with shortcomings. In many cases, funds are not fully used because of the failure of State Governments to provide matching funds, and because potential borrowers lack collateral and can not afford repayments. To remedy such problems, in line with the new national policy on Shelter for All, the Government is moving from the role of provider of housing to that of a facilitator. In concrete terms, this means that the State Government allocates the required land, while the private sector provides the housing and local infrastructure.

Inadequate urban services

People living in unrecognised slums and squatter settlements have no legal rights to claim municipal services such as water and sanitation. Only 40% of the urban slum dwellers in India have access to safe drinking water within a reasonable distance, compared to more than 80% of the total urban population. Moreover, water is often available for only a few hours a day, and only about two-thirds of the urban population is provided piped water supply within their premises. Sanitation is an equally acute problem with only 60% of the urban population covered by sanitation and drainage systems. Moreover, less than 50% of the wastewater is collected and even less is treated.

Deficiencies in the water and sanitation sector are generally attributed to the weak financial position of the public water-supplying bodies. As a result of low tariffs, poor metering, and inadequate collection of user charges, a mere 40% of supplied water generates revenue. Coupled with such factors are institutional weaknesses in management and organisation: inadequate autonomy, poor information systems, and poor incentives. By and large, the sector is unresponsive to the needs of the majority of its existing and, in particular, potential customers. The planning has focused on large-scale infrastructure projects rather than on identifying the appropriate levels of service based on consumers' needs and willingness to pay.

Waste management neglected

Similar shortcomings are found in the management of solid waste. In less than 30 years, since the mid-1970s, per capita solid waste generation has surged from a level of 150–350 gm/day to 320–530 gm/day. A substantial amount of the industrial waste comes from small-scale and informal sector units. The growth of such industries has coincided with a rise in hazardous waste generation, including commercial (lead acid batteries) and bio-medical waste.

Municipalities are currently, organisationally as well as financially, unable to deal with the problem of solid and hazardous waste through their conventional, centralised systems. According to official data, while 60% of solid waste is collected, transported and disposed off, only around 7% is treated, i.e. segregated and recycled or disposed off using incinerators, and the uncontrolled dumping of wastes on the outskirts of cities has created overflowing landfills. These are not only impossible to reclaim because of the haphazard manner of dumping, but also have serious environmental implications in terms of ground water pollution. The poor are particularly affected as dumps sites often are situated close to slums.

A large part of the problem lies in the failure to make solid waste collection and disposal an independent and self-financing activity. As in the water and sanitation sector, existing services do not generate any revenues from user fees. There are also no incentives to create markets for environmentally friendly solutions such as composts.

Air pollution on the rise

Burning of waste contributes to the rampant increase in air pollution in urban areas. In fact, the situation in terms of air pollution has today reached a crisis point, with ambient air quality even in smaller cities exceeding by far the World Health Organisation's standards. While the introduction of lead-free petrol, compressed natural gas (CNG), and the control of pollution from industrial plants and energy production have had some beneficial effect, it is overshadowed by the increase in industrial production and energy output and, not the least, the increase in the number of motor vehicles. In Delhi, for instance, the total number of motor vehicles surged from less than one million in 1985 to close to five million in 2001.

At the same time, public transport systems have remained highly subsidised, outmoded and limited in coverage. Even though a large majority of passenger trips in peak hours are by bus and train (85% in Mumbai, for instance), city authorities have given priority to private cars by opting for huge investments in a plethora of roadways and flyovers rather than expanding the public transport system.

Consequences for health and environment

The implications of all this for the health and well-being of the urban population are enormous. According to a study made in 1998, 20–25% of the adult population in Delhi suffers from chronic respiratory symptoms. Meanwhile, poor housing, lack of sanitation and proper garbage collection contribute to the rapid spread of bacteria and infectious diseases like tuberculosis. In addition, inadequate sewage disposal and industrial pollution have caused severe environmental degradation, with

large wastewater discharges along rivers and coasts. As much as 70% of the total surface water in India is polluted by untreated sewage and industrial effluents. While some environmental problems such as aid pollution and increasing waste generation affect the poor and non-poor alike, others, such as in-door pollution, typically affect almost only the poor.

The need to make cities "credit-worthy"

The Central Government has responded to the growing challenge of urban poverty by initiating a number of poverty alleviation schemes. However, the record of these schemes has been disappointing. A national working group formed in 1995 concluded that many of the schemes were overlapping. It was also found that while the number of initiatives had proliferated significantly over the years, the available resources had not grown proportionally.

Lack of funding is a problem for the urban sector at large. While urban infrastructure and services in India has traditionally been financed through government grants and budgetary transfers, the resources made available have not been sufficient to meet the growing demand. It is estimated that, in the near future, the public sector will be able to provide as little as 20% of the funding necessary to offer even the most basic services in Indian cities. In 2001, the Central Government responded to the growing need of funds by taking a decision to allow 100% foreign funding of urban infrastructure projects. This decision could have long term implications for increasing private sector participation in the sector. However, the challenge now lies in making cities "bankable" or "credit-worthy", as well as in developing an appropriate institutional and regulatory framework for private sector participation.

Through the 74th Constitutional Amendment, the Central Government is also encouraging State Governments and municipalities to assume greater responsibilities for urban development. However, implementation of the Amendment has been impeded by weak local capacities and conflicting political interests among elected officials, bureaucrats, the private sector and civil society. Admittedly, a great part of the problem lies in the fact that very few municipalities have been given adequate provisions to levy and collect taxes and duties to augment revenues. In addition, urban managers have generally received little or no training in modern management techniques, and management information systems are seldom computerised and effective.

Moreover, the legal framework for environmental protection is still weak. A major bottleneck is that the existing laws do not incorporate any economic incentive or disincentive (such as charges or fees) that could ensure quality standards and abate pollution. Compounding such problems is the lack of implementation capacity of regulatory bodies. By and large, the Central and State Governments have adopted a soft attitude towards polluting industries and have done little more than issue warnings. The result has been that a large number of industries operate without proper safety and pollution control measures. Partially filling the vacuum left by government inaction, the Indian courts have emerged as important players in environmental protection.

Increasing opportunities for civil society participation

While Indian NGOs has a long-standing presence in urban areas, their involvement has generally been very small-scale. State and city authorities have more or less monopolised the sector of urban development and little space has hence been given for the civil society to intervene. In addition, funding of NGO projects in urban areas have typically been small and erratic – the focus of funding institutions have been on rural areas and motivated by the need to prevent people from migrating to cities. In recent years, however, opportunities for the civil society to intervene in urban areas have been increasing. With the state seeking to act more as a facilitator than a funding or implementing agency, there is now scope for NGOs to team up with city authorities and other government agencies. In some instances, NGOs have been able to demonstrate innovative models for urban poverty alleviation with a clear potential for up-scaling on a city-wide basis.

Summary

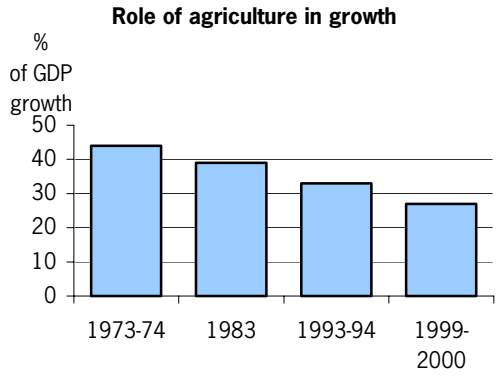
- While remaining one of the least urbanised countries in the world, India has witnessed a rapid increase in the urban population during the last two decades.
- The urban poor represent nearly one quarter of the urban population. Most of them live in slum areas and have no access to municipal services such as water and sanitation.
- Efforts in the urban water and sanitation sectors have so far been focused on large-scale infrastructure projects rather than on identifying the appropriate levels of services based on consumers' needs and willingness to pay.
- Similar problems characterise the management of solid wastes, the levels of which have surged rapidly on account of the growth of small-scale industries.
- There has been a rampant increase in air pollution in urban areas. The equally rapid increase in the number of motor vehicles appears to be the main explanation.
- The degrading urban environment has severe implications for the health and well-being of the urban population in general and the urban poor in particular.
- Public investments in urban infrastructure are highly inadequate. The challenge lies in attracting private capital by making cities credit-worthy.
- Decentralisation of powers and resources to municipalities is seen as key to combat unregulated urban growth. Lack of revenue raising powers, weak local capacities, and conflicting interest among stakeholders have, however, impeded the process.
- The existing legal framework for environmental protection is still weak. A major bottleneck is that the laws do not incorporate any economic incentives or disincentives that could ensure quality standards and abate pollution.

2.2 Rural Environment and Natural Resources

Environmental damage caused by water and soil pollution, land degradation, deforestation, and desertification affects millions of people in India every year. While the direct human and economic costs are extremely hard to quantify, it is clear that the degradation of the environment will have a very detrimental impact on poverty. At the same time, poverty often forces people into unsustainable exploitation of marginal natural resources. These linkages are reinforced by a high rate of population growth, deficiencies in exploitation rights of natural resources, inadequate legislation, short-sighted economic policies, and market failures.

Unsustainable agriculture

Since 65% of the total labour force – almost 90% in the rural parts of India – is engaged in agriculture, it is clear that the conditions for and within agriculture play a decisive role for poverty reduction. Most data suggest that from the 1970s to the early 1990s, agricultural growth and increases in rural wages were major factors that led to a decline in poverty across India. In the 1990s, while the rate of agricultural growth was similar to the 1980s, the growth of real daily wages in rural areas declined as the demand for agricultural labour decreased.



The sustainability of agriculture is at risk primarily due to the excessive use of subsidies in inputs, such as power, water and fertiliser. Together with insufficient soil conservation and widespread use of pesticides, this has proved to be an environmentally harmful approach leading to a deterioration of aquifiers and soil quality. Present policies have, for example, resulted in too many tubewells in water scarce regions. Subsidies have also crowded-out other, more productive, capital investments in irrigation, power and rural infrastructure, and expenditure on technological upgrading.

Furthermore, agricultural development is affected by licensing, restrictions on the movement of goods and international trade, and a flawed system for food grain distribution. As a result, India has witnessed a substantial increase in food grains stocked in the government godowns – currently at the level of 60 million tonnes – but very little progress in improving food security.

Mismanagement of water resources

The most severe resource problem in Indian agriculture is the use of

water and especially the over-extraction of groundwater. India receives an average annual rainfall equivalent to 4,000 billion cubic meters but faces serious temporal and spatial water shortages. These shortages have been exacerbated by rising demand for irrigation and mismanagement of existing water resources. The efficiency of surface water irrigation is estimated as low as 40% and, although overall groundwater exploitation is only about 50%, the water table has been depleted in some areas. Instead of implementing water pricing reflecting its scarcity, inefficient resource use has been aggravated by a combination of subsidies for power and canal irrigation, and the introduction of new technologies for groundwater extraction. Moreover, pollution and contamination of aquifers by raw sewage, solid waste, agrochemicals, industrial run-off, fluorides and arsenic are causing serious health hazards.

Analyses of current problems point to inadequacies in the institutional and legal framework for water resource management. Above all, the entire approach to water resources in India has been geared towards resource exploitation through capital investments rather than equitable and sustainable water management. A major issue has been the deterioration of traditional water harvesting structures and lack of investments in small water harvesting systems, the potential of which remains enormous. In fact, a mere 100 mm of rainfall when captured on one hectare of land could provide as much as one million litres of water. According to the Centre for Science and Environment (CSE), there is no village in India that cannot meet its drinking water needs and a reasonable part of its irrigation needs through rainwater harvesting.

However, there have been some encouraging developments in recent years. Increasing attention has been given to issues related to operation and maintenance, and the need for more efficient pricing, people's participation and groundwater regulation is gradually being acknowledged. These are echoed in the National Water Policy 2002 and the five-year plans of many states. The concept of integrated water resource management (IWRM), with its wider approach to water and institutional issues, could potentially solve many of the water-related problems in India. However, it remains weakly understood conceptually and is yet to be operationalised. In the meantime, the absence of local ownership and management rights or for that matter any rights framework remains a major stumbling block to promote and sustain investment in water resources in the interest of the communities.

Land ownership and poverty

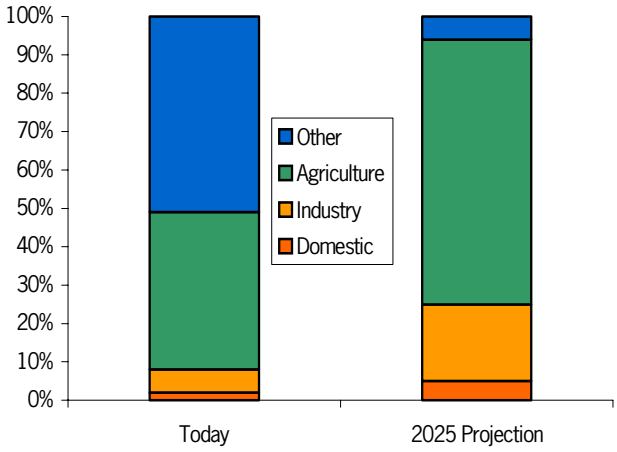
Land reform has given many rural poor a basis for subsistence. In the past decades, governments have sought to break the feudal order in the rural areas by limiting the size of land holdings and transferring ownership of land. Such changes gave birth to a productive peasantry, the driving force behind the so called Green Revolution. However, formidable obstacles still prevent the poor from gaining access to land. As of today, less than 40% of rural households own land. In particular, land markets are thin and transaction costs are high, limiting the amount of agricultural land that changes hands. In addition, the increasing fragmentation of land holdings has in some cases made farming an unviable option. In Uttar Pradesh, 20 million households subsist on 17 million acres of land. Even in relatively developed states, as the Punjab, average holdings are too small to make mechanisation worthwhile.

Lack of access to safe drinking water and sanitation

With depleting water tables and increasing pollution, access to safe drinking water remains a pertinent issue. While official figures show that close to 90% of rural households has access to safe drinking water, independent reports indicate drinking water scarcity in about half of India's villages. In some cases, habitations that have been declared fully covered have fallen back to partial or non-covered status in subsequent surveys. This points to serious problems of sustainability related to the heavy investments made in hand pumps, bore wells and piped water systems across the country.

The situation with respect to sanitation facilities is even worse. Overall, only 15% of rural households in India have access to private toilets. Apart from the availability of safe drinking water, lack of sanitation, particularly sewage and disposal of solid waste is among the main reasons for prevailing ill health and high morbidity levels. As expected, access to safe water and sanitation varies across caste and gender.

Water demand trends



Local management of forests

India has witnessed a rapid decline in forest cover over the last century – from nearly 40% of the country's geographical area a century ago to less than 20% today. However, in the last two decades, the decline has been nearly arrested and recent surveys even indicate a slight increase in forest cover over the last two years. The main reason for this is believed to be the increased involvement of local communities in forest management. However, such data should be treated with caution. For one, they hide substantial regional disparities. In Andhra Pradesh, Assam and Himachal Pradesh, for instance, forest cover has continued to decrease at a rapid rate. Moreover, there are also indications that the quality of forest cover is declining. Presently, about 40% of the forests in India are considered degraded.

While the management of forests in India is governed by a largely favourable national policy, the archaic Forest Act and bureaucracy have contributed to the alienation of local people, mostly tribal communities, from the forests. However, since the mid-1980s, several programmes have been launched to increase the participation of village communities in the development and protection of forests, including the Joint Forest Man-

agement (JFM) programme, waste land and watershed development programmes, block plantations, promotion of farm forestry and agro-forestry, eco-restoration, etc. The impact of such initiatives, both on the forests and on the situation of the poor, varies considerably across states, depending on the institutional and administrative capacity of state forest departments, and the headway made in institutional reform.

Recurrent natural disasters

The Indian sub-continent is highly vulnerable to natural disasters. Two-thirds of the states are considered hazard prone, and every year on average 50 million people are affected by earthquakes, cyclones, floods and/or droughts. Although the origin of many of these disasters, such as earthquakes and cyclones, are truly natural, there are others that are likely to be the result of human exploitation of the nature. For example, landslides in the Himalayan region of northern India have become more frequent in the past decades as a result of deforestation and road construction. Global warming is also expected to increase the frequency and magnitude of climatic disasters.

Status of International Conventions/Protocols on the Environment

Instrument	Status
Montreal Protocol (1987)	Implementation on track
Convention on Persistent Organic Pollutants (2001)	Signed in 2001
Convention on International Trade in Endangered Species (1975)	Implementation on track
Convention on Biological Diversity (1992)	Signed in 1992. National legislation being prepared
Convention to Combat Desertification (1994)	Draft National Action Plan prepared
UN Framework for Climate Change (1994)	Kyoto Protocol yet to be agreed upon

In a majority of cases, State Governments have lacked the capacity to co-ordinate relief and reconstruction efforts, which together with the lack of an overall framework for disaster management have impaired the ability of relief organisations to assist in the early stages of disasters. Disaster preparedness has also been low on the agenda.

India's international commitments

The size of India and the magnitude of its environmental problems have considerable implications on the global level. At the same time, India's major role as producer, exporter and importer of environmentally-related substances has induced the country to actively take part in the negotiation of international protocols. Of particular interest are the Montreal Protocol, the Stockholm Conventions on Persistent Organic Pollutants, the Convention on International Trade in Endangered Species, the Convention on Biological Diversity, the Convention to Combat Desertification, and the UN Framework for Climate Change. However, with the notable exception of the Montreal Protocol, implementation of these protocols has generally been slow.

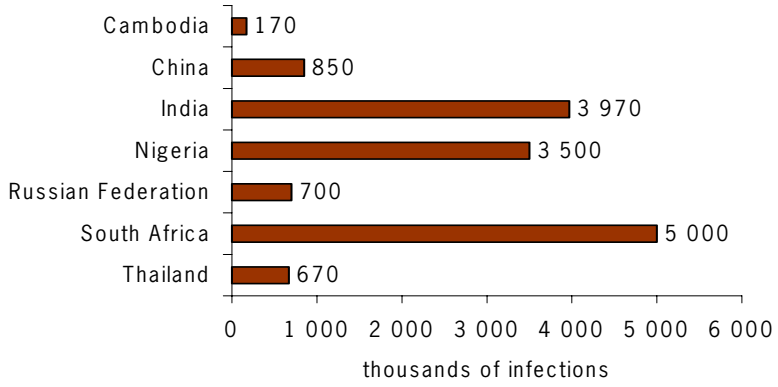
Summary

- Environmental damage caused by water and soil pollution, land degradation, deforestation, and desertification affects millions of people in India every year.
- There are indications that the role of agriculture in poverty reduction has diminished in the 1990s as the growth of real daily wages in rural areas has declined.
- The sustainability of agriculture is at risk due to the excessive use of subsidies in inputs, insufficient soil conservation and widespread use of pesticides.
- Potentially the most severe resource problem in India is the over-extraction of groundwater. Pollution and contamination of aquifiers compound the problem.
- Independent reports indicate drinking water scarcity in about half of India's villages, pointing to the lack of sustainability of investments made in hand pumps, bore wells and piped water systems. The situation with respect to sanitation facilities is even worse.
- While the rapid decline in forest cover over the past century has been largely arrested, the quality of forest cover is declining. Increasing the participation of local communities could be a key solution to this problem.
- The Indian sub-continent is highly vulnerable to natural disasters, some of which are the result of human exploitation of nature. Inadequate disaster management, especially the low priority accorded to disaster preparedness, has exacerbated the situation.
- India takes an active part in the negotiation of international protocols on the environment. Implementation of such protocols has, however, generally been slow.

3. Poverty and HIV/AIDS

Now into its third decade, India's HIV/AIDS epidemic continues to give cause for alarm. India will soon be the country in the world with the highest number of HIV-positive individuals, although the size of the epidemic is still limited if measured in relative terms. As of 2003, according to official sources, cumulative HIV infections range between 3.9 and 4.6 million. However, such figures hide wide variations in prevalence across states and an unknown number of unrecorded cases.

HIV prevalence in select countries, end 2001



Low concentrated epidemics spread into wider population

The first case of HIV in India was detected in 1986. By the early 1990s, it became evident that the epidemic was spreading at great speed, especially in urban areas. Two principal factors were brought forward as causes for the increased incidence: participation in unprotected sex work and unsafe sharing patterns of injecting drug users, IDUs. These assertions were made on the basis of sentinel surveillance data, revealing HIV infection rates of more than 50% among sex workers in metro-cities like Mumbai and among injecting drug users in the Northeastern states of Manipur and Nagaland.

However, high levels of other sexually transmitted infections (STIs) suggest that there is a potential for concentrated epidemics to become more generalised. In a number of states, HIV infection among women attending antenatal clinics has crossed the 1% mark, indicating that the epidemic has already spilled into the wider population. Another sign suggesting a generalisation of HIV is the increase in vertical (mother to child) transmission. Currently, about 1% of all HIV infections in India occur through vertical transmission, translating into approximately 32,000 infected children every year.

Spread of HIV varies across states

However, there are large differences in the size, character and spread of the HIV epidemic from one part of the country to another. Very broadly, states can be divided into three different categories – those with a generalised HIV epidemic, those with a concentrated HIV epidemic, and those with a low HIV epidemic.

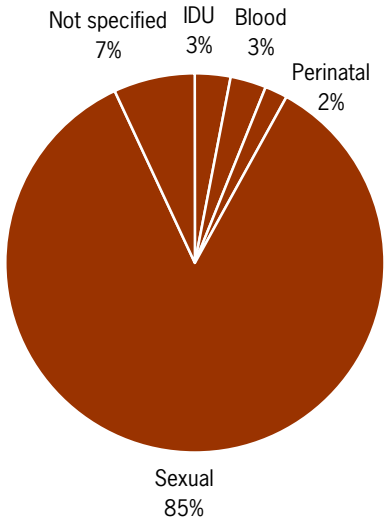
The first category includes Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Manipur and Nagaland, where more than 1% of

women attending antenatal clinics have been found to be HIV-positive. States with a concentrated HIV epidemic include Gujarat, Goa, Mizoram and West Bengal. Here, more than 5% in the population groups observing high-risk behaviour has been infected by HIV, while prevalence in the general population has remained below 1%. Remaining states fall in the low epidemic category where the population groups observing high-risk behaviour is yet to attain a 5% prevalence of HIV.

Poverty and migration increase exposure

The geographical differences in the spread of HIV/AIDS draw attention to a number of underlying causes that influence an individual's risk of acquiring infection.

Source of infection of AIDS cases



A major finding of many studies is the strong correlation between low income and high rates of HIV infection. Evidence suggests that lack of money is the primary reason why many Indian women are forced into prostitution, why people are lured into the drug trade, and why individuals cannot access safe but more costly blood transfusions. General ill-health (including untreated STIs and STDs), illiteracy and ignorance, as well as lack of access to social services also increase the probability of falling prey to HIV/AIDS.

Migration and seasonal labour, often triggered by poverty, facilitate the spread of HIV/AIDS. In India, significant migration takes place both between states and from neighbouring countries. Maharashtra, Gujarat and Andhra Pradesh – all registering high HIV prevalence rates – attract labourers from all over the country, but particularly from states with low human development outcomes such as Uttar Pradesh, Bihar, Rajasthan, Orissa and Madhya Pradesh. While these latter states have a relatively low reported incidence of HIV infection, the demand and pull factors of high prevalence states may soon alter this situation.

Gender inequalities and lack of dialogue on sexuality

Relations between women and men must be placed at the centre of any analysis of geographical and social differences in the spread of HIV in India. Out of the people infected in India, some 20% are women. The fact that women are biologically more prone to infection by heterosexual transmission is compounded by women's weaker position in society in general and in sexual relations in particular. As a result, many women cannot negotiate for safer sex, and thus reduce the risk of infection.

A major issue is the lack of youth-friendly sexual and reproductive health services, which coupled with the absence of education on sexuality and gender, may have considerable effect on young people's ability to protect themselves from STIs, in particular HIV/AIDS. In India, more than half the new HIV infections occur among young people. Moreover, inability or reluctance to talk about HIV/AIDS, or outright denial by government and society that the problem exists, keep people living with HIV/AIDS (PLWHA) unaware and thereby increases the risk of them passing on the infection to others. According to the NFHS-2, only 4 out of 10 ever-married women in India have heard of AIDS, and of those who have, only one-third know how to avoid infection. Least informed are rural and illiterate women, especially those belonging to SCs and STs.

Discrimination and stigmatisation of victims of HIV/AIDS tend to aggravate the situation by alienating those at risk of infection and those in need of care.

Knowledge of selected ways to avoid AIDS

Future scenario

It is difficult to assess the potential long-term impact of HIV/AIDS in India given the large differences in the character and spread of the epidemic across states. In addition, there are shortcomings in the geographical coverage of monitoring systems. Moreover, the representative base is inadequate, as reflected in the fact that the sources of the official figures are not including all groups at risk, e.g. women in prostitution, bridging populations, truck drivers, etc. Nevertheless, it is clear that – even at the level of the current official figures – care of infected and affected individuals will pose a serious challenge to future economic growth and development.

Studies of the economic impact of the epidemic in India indicate that *individuals and households*, particularly in the poorer segments of the population, will find it increasingly difficult to cope with the economic hardship associated with rising treatment costs. On average, PLWHAs spend

20% of their annual income on HIV-related health care, with the bulk of expenditures being on medicines. Additional economic hardship is imposed on families through income lost by those who give up their work to look after relatives with AIDS, and in the longer term by the early death of a breadwinner. Correspondingly, the *health sector* will experience a rise in demand for health care and pressures on existing government hospitals will augment even further (as is already happening in states like Tamil Nadu and Manipur). This is bound to have impact on individuals seeking health care for other diseases – including opportunistic diseases such as tuberculosis and pneumonia.

HIV/AIDS and human rights

Discriminatory practises associated with the spread of HIV/AIDS violate basic human rights. The stigma associated with the infection discourages people from being tested for HIV and from openly discussing their problems. Lack of privacy and confidentially in health facilities exacerbates the situation.

The *long-term economic effects* of HIV/AIDS are yet to be seen. However, it is believed that a rapid spread of the epidemic could have a detrimental effect on economic growth through diversion of savings to care and consumption (thus reducing investment), and through the illness and death of productive members of the society. Such effects would be compounded by an increase in government expenditure on health care. The World Bank estimates that, at the current level of government health care subsidies, a severe AIDS epidemic would necessitate an increase in government expenditure by about $2 billion per year from 2010. At the same time, greater access to antiretroviral drugs – most of which are produced in India – would clearly reduce the economic impact at all levels. The use of condoms by groups with high-risk behaviour is another key determinant for the future increase in HIV infections.

Government programmes expand

In 1989, largely mirroring the response of other countries, the Central Government established the National AIDS Control Organisation (NACO) under the Ministry of Health and Family Welfare. While a medium-term plan for HIV/AIDS control was developed the same year, the efforts of NACO gained momentum only in 1992 with the establishment of the National AIDS Control Programme (NACP). The first phase (1992–1999) of this programme aimed at strengthening the capacity to respond to HIV/AIDS on a long-term basis.

Accordingly, measures to improve the effectiveness and quality of STI management were undertaken in more than 500 STI clinics and surveillance capacity was developed in some 60 health centres and 180 sentinel sites nation-wide. Another major innovation was the replacement of the earlier structure of State AIDS Cells by State AIDS Control Societies. These steps were undertaken to facilitate disbursement of funds, minimise delays and promote decentralisation of the decision-making process.

Against this backdrop, the second phase of the National AIDS Control Programme (NACP-2) was initiated in 1999. Implemented through State AIDS Control Societies, NACP-2 aims at prevention and control, addressing high-risk behaviour as well as factors that contribute to the

spread of the epidemic among the general population. Integrated in the programme are various education and communication efforts, such as street plays, radio shows, blood donation drives, a National AIDS Hotline, a School AIDS Education Programme, etc. Other important components of the NACP-2 include the establishment of new, and the upgrading of existing, blood banks and blood separation units, and capacity building of NGOs.

All in all, there are indications of an increasing political commitment to the cause of combating HIV/AIDS. In 2002, the Indian Prime Minister stated that "HIV is the single largest development threat facing India", implying that the rapid spread of the epidemic will require a more dramatic response in the future.

Summary

- India will soon be the country in the world with the highest number of HIV-positive individuals, should remedial action not be taken.
- While in the past linked to high-risk behaviour such as unprotected sex work and unsafe sharing patterns of injecting drug users, HIV infection in India is becoming more generalised.
- There are wide variations in the size, character and spread of HIV/AIDS from one part of the country to another. States with a generalised HIV epidemic include Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Manipur and Nagaland.
- Evidence suggests a strong correlation between low income and high rates of HIV infection. General ill-health, illiteracy and ignorance, and lack of access to social services also increase the probability of falling prey to HIV/AIDS.
- The fact that women are biologically more prone to infection by heterosexual transmission is compounded by women's weaker position in society in general and in sexual relations in particular.
- Inability to talk about HIV/AIDS, or outright denial by government and society that the problem exists, keep PLWHAs unaware and increases the risk of them passing on the infection to others.
- The care of infected and affected individuals will pose a serious challenge to the resources and capacity of the Indian economy.
- In 1999, the Central Government launched a second phase of the National AIDS Control Programme, aiming at prevention and control and addressing high-risk behaviour as well as factors that contribute to the spread of the epidemic among the general population.

III. Political, Economic and Institutional Context

Poverty reduction in India appears to be related to a number of, often inter-linked and mutually reinforcing, factors. In the economic literature, references are regularly made to agricultural growth, social sector spending, physical infrastructure, the outreach of the Central Government's anti-poverty programmes, and the attention given to policy and institutional reform. However, it is clear that lack of respect for human rights, environmental degradation, gender and social discrimination, and rapid population growth also have a strong bearing on poverty reduction.

In essence, all of these causes and consequences of poverty can be related to failure in one or more aspects of governance, and the resultant inadequacies in policies and regulations, institutions and procedures, and delivery and enforcement mechanisms.

1. Political Trends and Issues

India has a secular and democratic constitutional system, the legitimacy of which is ensured through regular and competitive elections and reflected in a relatively high voter turn-out. In the most recent national elections, between 55 and 65% of the eligible population cast their votes – more than in the US Presidential elections or in the most recent British general elections. The significance of elections and their representative value are also reflected in the interesting finding that poor people with less education are more likely to cast their votes in general elections than the better off with a higher level of education.

The state of democracy – according to Freedom House

	Political rights	*Civil liberties*
Bangladesh	3	4
China	7	6
India	2	3
Indonesia	4	4
Nepal	3	4
Sri Lanka	3	4
Thailand	2	3

Largely confirming this picture, India receives a comparatively high ranking in the survey, *Freedom in the World*, published by the organisation Freedom House. The survey employs two series of checklists, one for questions regarding political rights and one for civil liberties, and assigns each country a numerical rating from 1 to 7 for each category, where 7 is little freedom/rights and 1 total freedom/rights. In the latest survey, conducted in 1999/2000, India scored 2 in the category of political rights and 3 in the category of civil liberties.

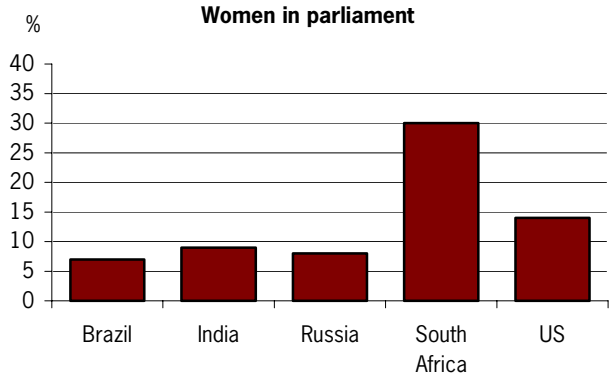
Fragile coalitions hamper legislative business

Despite deeply rooted democratic principles, India's political system has a number of shortcomings. One failure stems from the nature of the parliamentary affairs, the behaviour of parliamentarians, and the political parties they represent. In general, proceedings in parliament are poorly attended and riddled with indiscipline. While opposition parties prefer to embarrass the Government by concentrating on scandals rather than on substantive issues, the Government tends to use parliament to pass its own legislation, leaving little time for private bills. Sessions are also increasingly boycotted by the opposition, a tactic that can keep the parliament paralysed for weeks.

Even though anti-defection laws are in place to disqualify parliamentarians who vote against their party or give up their membership, there are no laws that prevent political parties from opting out of coalition governments. Since the mid-1990s, India has been ruled by no less than five different coalitions. The present National Democratic Alliance (NDA) is a fragile entity of around 23 political parties, which despite friction has survived for a record four years.

Women's political space

The Indian parliament is heavily dominated by rich peasant interests and politicians riding high on party funds extracted from big industries. In addition, in many states dynastic families continue to play a dominant role on the political arena.



An important dimension of the concentration of political power in India is the lack of decision-making powers in the hands of women. Indian women hold only 9% of the seats in the parliament and 10% of the positions in the government. At lower levels of government, women are usually better represented. Since 1993, the constitution guarantees

women one-third of the representation in PRIs and ULBs. However, though there are some examples of effective participation, many of these women are fronts for men and are severely disadvantaged by lack of exposure, information and training.

Increasing clientelism and criminalisation

Democratic governance is further threatened by election-induced profligacy of expenditure. Election campaigns become increasingly expensive over the years because of greater competition between parties and the growing awareness of their bargaining power on the part of the voters and opinion leaders. In constituencies where competition is stiff, it can cost between US$ 30,000 and US$160,000 in campaign expenditure to gain a high profile or hotly disputed seat in parliament. The rising costs of electoral campaigns have coincided with the emergence of client-patron relationships between politicians and their prospective voters. Political leaders keep so called vote banks of groups of people whose support can be ensured through the granting of certain favours. In most cases, this practise leads to by-passing of laws and rules. For instance, it is not uncommon that public funds are siphoned off to bribe prospective voters.

In addition, growing numbers of criminals have entered politics, some even gaining access to the highest levels of public life. Parliament is still relatively safe, even if 39 members of India's parliament in 1997 had criminal cases pending against them, but on the state level, the criminalisation of politics has reached disquieting proportions. For instance, in 1995, 180 out of the 425 members of the Uttar Pradesh Assembly had criminal records, and elections in Bihar were contested by as many as 243 candidates against whom cases were pending in court. This is, of course, not representative for all politicians, nor is the phenomenon unique for India.

Political participation by caste (%)

	High caste	*Low caste*
Participates in some form of political activity	68	67
Participates in an association	33	35
Feel informed about important political issues	63	32
Believe that it is possible to make a government office change a wrongful decision	27	24

Deepening caste-based, religious and regional divides

In India, many rural and provincial societies are still stratified along religious and caste lines, and caste and religion continue to play an important role in politics and elections, particularly in the North-central states. Here, more and more political parties seek to attract the support of different caste groups (jatis), which are often mobilised with the help of the Indian quota system. The quota system means that the SCs and STs are guaranteed representation in parliament, public administration and PRIs/ULBs. In addition, there are quotas in the education system for particular castes.

To date, middle-caste groups making a living from agriculture has proved to be particularly successful in influencing politics. But SCs are

also making inroads in politics. In Uttar Pradesh, they have even formed a political party, Bahujan Samajwadi Party (BSP), which several times has been in power in the state.

Another clear trend in Indian politics is the deepening divide between secular India and a more strident and xenophobic Hindu-nationalist movement that has its stronghold in the North-central states. The Hindu-nationalist Bharatya Janata Party (BJP), the backbone of the Central Government, has had a major role in this development. Its growth – from less than 10% of the votes in the late 1980s to around 23% ten years later – is closely associated with its involvement in such issues as the 1992 destruction of a mosque in Ayodhya, Uttar Pradesh. In early 2002, this issue spearheaded riots in the state of Gujarat, leaving more than one thousand people dead and close to 150,000 injured or homeless. The vast majority of the victims were Muslims, and there is some evidence to suggest that the attacks were planned in advance.

Regional interests constitute another driving force behind the political process in India. For major parties to obtain a parliamentary majority they must form alliances with regional parties. As regional parties enhance their leverage, the Central Government's political control over the states, unquestioned for more than four decades, effectively decreases.

The cost of continuing conflict

In its most extreme form, caste-based, religious and regional divides have spearheaded armed conflicts. India has been hounded by civil tension ever since the first signs of dissent in or about Kashmir in the 1940s and state re-organisation in the 1950s. Since then, armed conflicts have erupted in Punjab, Haryana, Himachal Pradesh, Bihar, Orissa, Jharkand, Assam, and other parts of the North-East.

While adding to the strains on India's national cohesiveness and its security in sensitive border areas, conflicts hardly represent a serious threat to the Indian State. However, in the case of Jammu and Kashmir, some concessions seem inevitable. While so far resisting the calls for autonomy, the Central Government has initiated a dialogue with the ruling party in the state and seems inclined to broaden a process of consultation in the aftermath of the 2002 state elections. Even though Jammu and Kashmir is already the largest per capita recipient of subsidies in the country, it is likely that a larger measure of devolution of powers and resources to the state will be necessary as part of a political settlement process.

The underlying causes of conflicts in India are complex. In Jammu and Kashmir, large-scale corruption is, together with electoral manipulation, reasonably considered the most important factors in the deterioration of governance that precipitated the emergence of militant movements at the end of the 1990s. There is also a correlation between agrarian failure and conflicts, as could be seen in the states of Jammu and Kashmir, Assam, Bihar, Jharkand, and Andhra Pradesh. A third factor can be found in the Hindu-nationalist ideology, the increasing popularity of which has coincided with violent militancy in Jammu and Kashmir, and recently with communal riots in Gujarat. Clearly, conflicts will continue to be a great drain on India's resources, and to pose a serious obstacle to future economic development.

Nuclear threat remains

The conflicts in the region also limit India's aspirations to become a global power. In particular, even though the Indian government has successfully managed to break the international isolation that resulted from the nuclear tests of May 1998, the country is unlikely to be accorded a major role in international fora as long as tensions with Pakistan over Kashmir loom large. The prospects for a peaceful solution to the conflict were further weakened in the wake of 11 September 2001 and the subsequent terrorist attacks on the parliaments in Kashmir and New Delhi. These events spearheaded an India-Pakistan crisis that lasted over six months and threatened to erupt into a large-scale conventional or even nuclear war. Although India rejects the Non-Proliferation Treaty (NPT) and continues to seek nuclear power status, it remains officially committed to a unilateral moratorium on nuclear testing and to seeking a 'national consensus' on signing the Comprehensive Test Ban Treaty (CTBT). At the same time, as relations with foreign governments have improved, the pressure on India to actually sign the CTBT has gradually faded, and with it the prospects that India will eventually accede to it.

Persistent tensions between India and Pakistan have also impaired the functioning of the South Asian Association for Regional Co-operation (SAARC), which since its establishment in 1985 has shown only very minor progress by way of regional economic integration. On balance, India prefers bilateral over regional arrangements, which are the obvious choice of its much smaller neighbours. On the global arena, relations with the US have improved markedly, despite the latter's support for Pakistan following 11 September 2001. Relations with the EU have similarly received a strong boost since the EU-India Summits in 2000 and 2001, and contacts with China have multiplied as economic co-operation has increased. Across the line, anti-terrorism considerations are becoming increasingly important in India's contacts with the major international actors.

Summary

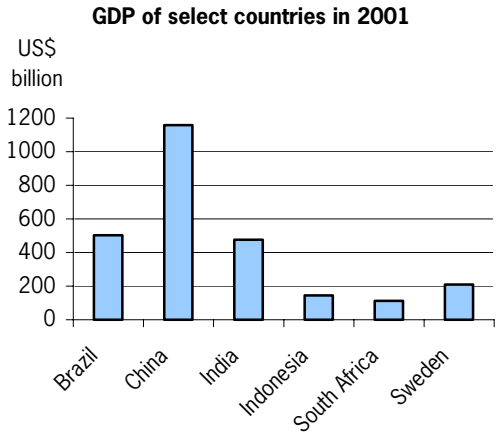
- While India's population enjoy relatively extensive political rights and civil liberties, decisive political action is hampered by poorly performing legislatures, which are heavily male-dominated and largely driven by rich peasant and business interests.
- Rising costs of electoral campaigns have been paralleled by an increase in political corruption and the emergence of client-patron relationships between politicians and their prospective voters.
- Caste, religion and regional interests have become important issues driving the political process in India.
- Armed conflicts and communal riots inflict a heavy burden on India's resources and pose serious obstacles to social and economic development.
- While India has successfully managed to break the isolation from the outside world following the 1998 nuclear tests, foreign policy ambitions are hampered by constant tensions with Pakistan.

2. The Macroeconomic Environment

India has now gone through more than a decade of economic reforms. In 1991, faced by an unprecedented balance-of-payments crisis, the

country embarked upon a wide-ranging programme of structural adjustment and macro-economic stabilisation. Since then, substantial progress has been made in liberalising industry, trade, investment and the exchange rate regime, as well as in reforming the financial sector and strengthening capital markets.

In response, GDP growth has surged from less than 1% in the crisis year 1991/92 to an average of more than 6% throughout the 1990s, making the country one of the top-ten fastest growing economies in the world during this period. Along with this development, export growth has surged to double-digit figures, trade as a percentage of GDP has gone up from around 15% in the late 1980s to over 25%, and foreign currency assets have risen from less than US$ 1 billion in 1991 to more than US$ 85 billion to date. Moreover, external debt service has been brought down to comfortable levels with India today being regarded as a 'less indebted' country.



Growth overshadowed by fiscal deterioration

Despite these achievements, the gradual deterioration of India's fiscal performance castes a long shadow on the country' overall growth performance. Especially in the last five years, there has been an increasing shortfall between the revenue receipts and public expenditure, as reflected in a rapidly mounting fiscal deficit. By 2002, the combined deficit of the central and state governments stands at around 11%, which is similar to the situation in the early 1990s.

The Central Government has resorted to heavy borrowing at the domestic market in order to bridge the revenue deficit. This has resulted in a rapid increase in debt service obligations, which has further exacerbated the financial situation. In fact, more than 50% of the Central Government's revenues and 30% of total budget expenditures disappear into interest payments, crowding out capital investments in infrastructure and essential expenditures on basic social services. Far from the promises of national policies and commitments, spending on education and health as a percentage of GDP has lingered below 4% and 2% respectively throughout the past decade.

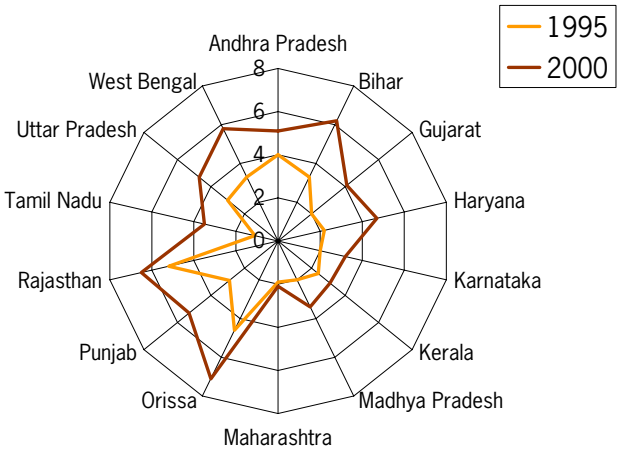
Most severe problems found in poor states

The fiscal situation is particularly bad at the level of state governments, whose share of the total fiscal deficit has grown rapidly in the last few

years. By 2000, a majority of the states had a fiscal deficit of more than 7%. As in the case of the Central Government, states have major difficulties in containing expenditures in the face of rising wages, pensions, subsidies and interest payments. State budgets are also strained due to inadequate resource mobilisation and the low levels of federal resource transfers, forcing states to finance capital expenditure through costly domestic borrowing. In 2000–01, the outstanding debt stock of all states reached 23% of GDP.

While even relatively prosperous states have large and increasing difficulties in maintaining fiscal stability, there is an inverse relationship between per capita income and fiscal deficits. Not surprisingly, there is also a widening gap between those states that have acknowledged the problem and those that remain passive.

Ratio of fiscal deficits to GSDP in major states



Similarly, significant differences can be found in terms of state government expenditure on basic social services. In per capita terms, states like Bihar, Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal spend much less on education and health than states like Haryana, Maharashtra, Punjab and Tamil Nadu. Overall, budget allocations for social sectors fell from 27% of the total state expenditure in the Sixth Five-Year Plan (1992–1997) to only 19% in the Ninth Five-Year Plan (1997–2002). As a ratio of GDP, state expenditure on social sectors has remained fairly constant at 5%, despite a significant increase in the salaries of government personnel.

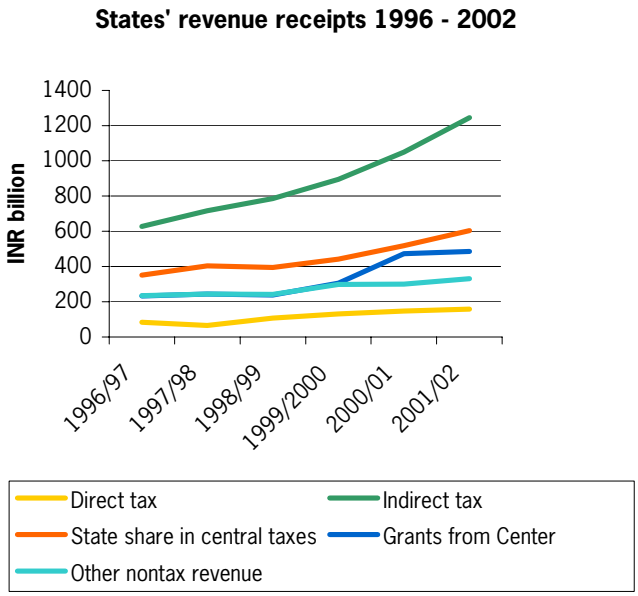
Federal transfers as incentives for reform

In late 2000, the Central Government introduced a Fiscal Responsibility and Budget Management Bill. Approved by the parliament in mid-2003, the bill sets out strict criteria to reduce the deficit to manageable levels and clear penalties for states failing to do so. The Central Government has also concluded Memoranda of Understanding with 13 states, linking the transfer of federal resources to the states' readiness to implement fiscal reforms.

Currently, the three sets of transfers – through the Finance Commission, through the Planning Commission to the states' five-year plans, and through the Planning Commission to Centrally Sponsored Schemes

(CSS) – correspond to more than the states' total tax revenues and more than one-third of their entire public expenditure. While increasing in real terms, transfers from the Central Government to the states have declined from 9% of GNP in 1985–86 to 5% in 1999–2000. The last two decades have seen a doubling of resources allocated to CSS, reflecting a deprioritisation of the states' five-year plans as well as an aspiration to ensure the least progressive states are not left out.

To supplement the assistance received via the federal budget, many states have tried to overcome their immediate fiscal problems by taking structural adjustment loans from multilateral banks. Although the Central Government guarantees repayment of these loans, the states are required to initiate an action plan to improve their repayment capacity. Generally, the loans have failed to address deep-seated structural constraints while added to the states' indebtedness.



Poor cost recovery of public services

A key reason for the persistence of the high fiscal deficit is the poor cost recovery of public services. The absence of appropriate pricing of power, water, road transport and the like, coupled with the failure to collect the levied charges, has resulted in huge economic losses both at the central and state level. In the power sector alone, losses caused by lower than economic pricing amount to US$ 5 billion per year. Another basic problem has been the excessive use of explicit subsidies, devoted mainly to the agricultural sector. Besides inflicting a considerable fiscal cost, subsidies create micro-economic distortions by encouraging over-exploitation of natural resources, e.g. through promotion of capital-intensive farming, and benefiting relatively affluent sections of society, e.g. rich farmers.

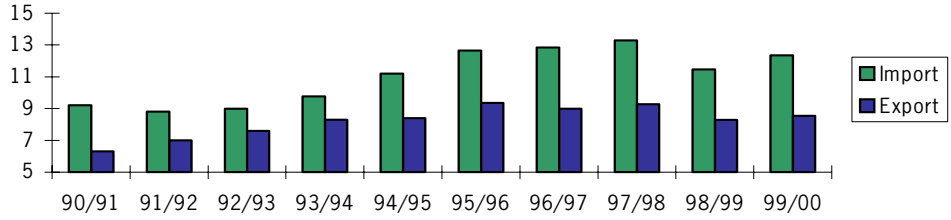
The strong dependence on indirect taxes has further aggravated the situation, with large sectors of society – most notably agriculture – remaining under-taxed or untaxed. Even though considerable progress has been made over the past ten years in reforming the Indian tax system, the base for direct taxation remains very narrow. It is estimated that only some 20–25 million Indians make an income tax return, and

that less than 10 million actually pay income tax. On the whole, tax revenues have remained below 10% of GDP, significantly lower than the development country average of 15 to 20% and the average of 24% for high-income countries. What is even more worrying is that the growth of the tax to GDP ratio appears to be stagnating. A major explanation is the lack of increase in sales taxes, which is the most important source of tax revenue for the states. Plans to introduce a Value Added Tax have repeatedly been postponed.

Trade and FDI regimes remain restrictive

With revenues from tariff collection accounting for some 30% of net tax revenues, it is clear that further changes in the trade regime should be carefully sequenced with tax reform. Despite the reforms of the 1990s, India's trade regime remains highly restrictive. Firstly, India's average tariffs remain among the highest in the world. Secondly, while a large number of quantitative restrictions have been removed, other non-tariff barriers remain in use. Thirdly, India has become one of the major users of anti-dumping measures and safeguard duties to protect domestic producers from foreign competition. Effective protection is also ensured through various other non-tariff restrictions (e.g. import bans, import restrictions through state trading monopolies, standard or certification requirements, etc.).

India's trade performance 1990-2000
(% of GDP)



All in all, notwithstanding a significant expansion of service exports, India's share of world trade has remained virtually unchanged. While the country's trade openness (defined as the ratio of imports and exports of goods to GDP) doubled during the 1990s it continues to lag behind that of the rest of Asia, particularly and significantly China. Between 1980 and 2000, China's index of trade openness increased by 150% while that of India increased by less than 50%. A similar pattern emerges in terms of India's share of world trade. While India's share of world merchandise exports has increased from 0.5% to around 0.7% over the last 20 years, China's share has more than tripled to almost 4%.

The developments in Indian trade policy are mirrored by the policies governing foreign direct investment (FDI). Despite a number of measures taken to liberalise and simplify the management and approval of FDI, foreign equity restrictions in the form of bans or limits still apply to a number of sectors. For instance, strict FDI restrictions remain in place for agriculture, retail trading, railways, print media, and some real estate operations. As a result, the inflow of FDI has remained modest, ranging

from US$ 3–4 billion or some 0.5% of GDP in the past few years. This could be compared to China, which receives on average some US$ 40 billion in FDI annually, corresponding to around 5% of GDP.

Infrastructure and regulatory bottlenecks

But India's low level of economic integration is not only a reflection of its trade and FDI regime but also domestic constraints associated with infrastructure and regulatory bottlenecks. Even though the Central Government has made infrastructure development one of its top priorities in the post-reform period, and considerable achievements indeed have been made in some areas, enormous challenges remain.

Apart from low cost recovery, many sectors, including railways, power, urban infrastructure and civil aviation, suffer from operational and organisational inefficiencies as well as political interference. An illustrative example can be found in the power sector, where severe capacity constraints and distribution losses on the part of State Electricity Boards (SEBs) obstruct expansion and even essential maintenance of facilities. In response, several states like Orissa, Andhra Pradesh, Rajasthan, Haryana and Uttar Pradesh have initiated comprehensive power sector reform programmes.

These reforms form part of a larger package to privatise or restructure 380-odd public sector units (PSUs), which continue to tie up large amounts of assets and capital at poor rates of returns. Decades of protectionist policies have made these enterprises non-competitive, reliant on subsidies, and significantly over-staffed, and as a result are providing services, such as electricity, transport and telecommunications, at a cost phenomenally higher than that in the private sector. In fact, loss-making state-owned enterprises such as the SEBs and the State Road Transport Undertakings (SRTUs) are not only enlarging the fiscal gap, but are also holding down investment activity as the cost of their inefficiency often is passed on to industrial producers in the form of higher taxes. As in the case of power sector reforms, the privatisation programme has been progressing at a slow pace, frequently obstructed by political considerations. As a result, although the Central Government in 1991 pledged to sell US$ 11 billion in shares of state-owned enterprises within a decade, it has so far managed to sell off only a third of that amount.

Trade liberalisation and poverty

Openness to trade has become an important element of sound economic policy. There is much evidence that open economies (both with respect to trade and FDI) and economic growth are associated. However, while the relationship between growth and open economies is unmistakable, the relationship between trade liberalisation and poverty reduction is not as clear-cut. Although trade liberalisation can be expected to improve the income of the poor overall, the relationship differs substantially from country to country. In the short run, in particular, trade liberalisation may have a negative impact on some segments of the poor, depending on their sources of income and the impact on prices of goods and services. Thus, it is important to analyse the country-specific context in order to formulate supporting policies that protect particularly vulnerable groups.

Indian labour laws have proved to act as another deterrent to private investment. The rigidities include a very wide scope for initiating industrial

disputes, long procedures for settlement of industrial disputes, inflexible provisions relating to changes in conditions of service, and provisions restructuring and relocation of labour.

Second generation of reforms

Against the backdrop of such structural constraints, it is obvious that economic reforms in India have been insufficient. Progress has so far largely been limited to a few reform-minded states, but even here fundamental issues remain untouched.

By 1999, in an attempt to address remaining regulatory bottlenecks and regain some of the economic momentum achieved in the early 1990s, the Central Government initiated what has been called the "second generation of reforms", including:

- Enhancing revenues by rationalising the tax structure;
- Reforming labour laws to allow for greater flexibility in hiring and firing workers;
- Down-sizing the government workforce by 10% over five years;
- Privatising state-owned enterprises to reduce the government's debt, attract foreign investments, and make the companies more competitive;
- Metering 100% of the power supply as a first step towards increasing the user charges on electricity;
- Limiting the government's over-powering presence in food grain purchase as a means of promoting private trade in farm produce; and,
- Eliminating preferences for small-scale producers, further easing constraints on FDI, and revamping bankruptcy legislation.

Even though this second set of reforms so far has proved to be politically more difficult to agree upon and implement than the first, progress has indeed been achieved. Among other initiatives, ceilings for foreign ownership in the bank and insurance sectors have been raised and the obstacles for Indian companies to invest abroad reduced. A number of bills have also been introduced – the Fiscal Responsibility and Budget Management Bill, the Electricity Bill, the Competition Bill, the Companies Law Amendment Bill, etc. However, a majority of these bills still await parliamentary approval.

Summary

- The reforms initiated in the early 1990s have spearheaded India into the ranks of the fastest growing economies in the world.
- However, the deterioration of the country's fiscal performance – reflected in an increasing revenue deficit and a mounting debt burden – castes a long shadow on the overall growth performance. The fiscal situation is particularly bad at the state level.
- High levels of fiscal deficits have crowded out capital investments in infrastructure and essential expenditure on basic social services.
- In the absence of fundamental governance reforms, increasing federal resource transfers and loans from multilateral banks have not been sufficient to improve the states' finances.

- Key reasons for the alarming deficits can be found in the poor cost recovery and delivery of public services, the high cost and inadequacy of explicit subsidies, and the narrow and distorted tax system.
- Another major drain on India's public resources is the loss-making state-owned enterprises, many of which have remained untouched by the recent spat of reforms.
- The inflow of external resources remains limited due to highly restrictive trade and foreign investment regimes.
- The second generation of economic reforms, initiated in the late 1990s, have proved politically more difficult to agree upon and implement than the first.

3. Governance and Decentralisation

One can find any number of regions in India, or states within a region or even districts within a state, where development outcomes do not match available resources or inherent potentials. For instance, states that are rich in minerals are not necessarily industrially developed and those with rich cultivable lands and assured irrigation are often lagging behind in agricultural development. Similarly, there are examples of fast-growing states where poverty is still pervasive and democratic systems dysfunctional.

All such outcomes can be related to the failure of one or more aspects of governance, and the resultant inadequacies in institutions, delivery mechanisms and the supportive framework for rules and procedures. Above all, poor governance in India is intricately linked to the inability to anticipate and adapt to changes in society. Population growth and other developmental changes (including environmental degradation) fall into this category. Other changes are rooted in the global context. For instance, it has been argued that planning institutions and policy think-tanks have failed to anticipate the need for economic reforms in the country.

Arbitrary promotions and transfers

There are also some changes that are deliberate but affect the functioning of the institutions in a manner that may turn out to be counterproductive. The frequent oscillations in political leadership and the requirements of coalition politics have had a disruptive impact on the civil administration. Rather than focusing on defining policy objectives and implementing strategic reforms, politicians have tended to get involved with the day-to-day management of the administration. Especially at the state level, arbitrary and frequent transfers of government officials have been a way for politicians to ensure loyalty and do away with critical voices. In Uttar Pradesh, the average tenure of a government IAS (Indian Administrative Service) officer in the last three years is reportedly as low as six months. Constant bureaucratic shuffles naturally have implications on work ethics and morale, and discourage individual initiatives to improve the system.

The introduction of new government programmes has, in the absence of institutional reform, similarly been undermining the efficiency of the government. At the outset of the Tenth Five-Year Plan, there are more than 200 Centrally Sponsored Schemes (CSS). In addition, new programmes are also being taken up in almost all ministries. Apart from stretching the administrative machinery, the excessive compartmentalisation of the executive into a plethora of ministries has resulted in a

narrow, sectoral approach to conceiving and implementing the schemes. The duplication of delivery structure and procedural hurdles invariably curtail the flow of assistance to the target beneficiaries.

The inability to keep pace with the changing context is also illustrated by the Indian state's relationship with the civil society and the market. Despite the fact that liberalisation has diminished the role of the public sector in economic activities, the civil service has expanded rather than contracted over the years. The huge size of the bureaucracy imposes heavy costs. In recent years, the total salary bills of the Central and State Government employees have reached an equivalent of US$ 15 billion, nearly a half of India's entire revenue receipt.

Widespread corruption

Lack of transparency and limited accountability further weaken the civil service. According to a recent exit poll on corruption conducted in five cities across the country, nearly half of those who avail the services of the most-often visited government departments have had first hand experience of giving a bribe at one time or another. Another indication is provided by the Transparency International's Corruption Perception Index. With a score of 2.7 on a scale ranging between 10 (highly clean) and 0 (highly corrupt) India ranks as 71 out of 102 countries surveyed, behind countries as China, Sri Lanka, Colombia and Ethiopia.

Shortcomings of institutions combating corruption in India

- Delays in preparation of audit reports
- No effective system to establish individual accountability
- Limited co-operation between institutions investigating fraud
- No effective system of follow up to ensure corrective action
- Site inspections are rarely undertaken

At the same time, India has an extensive machinery to deal with corruption with responsibility divided among three offices: the Controller and Audit General (CAG), the Central Vigilance Commission, and the Central Bureau of Investigation. There are also autonomous bodies created to probe corruption at the *state level* (Lok Ayukts), which can initiate investigations into the conduct of government personnel at all levels, including the Chief Minister.

The CAG is perhaps the most important safeguard against irregularities in development projects and programmes. An independent position defined by the Constitution, the CAG conducts regular audits of all public undertakings, the reports of which are tabled in parliament and scrutinised by its Public Accounts Committee. However, many of these institutions lack real statutory powers and effective systems to ensure corrective action. Consequently, individual accountability is seldom established and sanctioned. Moreover, CAG audits are often delayed, in some cases for several years, which means that a project or programme could even be completed before any remedial action is contemplated.

Access to information contributes to accountability

An interesting development is the Freedom of Information Laws that have been passed by several states – Tamil Nadu, Goa, Rajasthan, Delhi and Maharashtra – and the Central Government's 2000 Freedom of Information Bill. Ever since colonialism, information in India has been treated as the exclusive domain of the government and requests for the most banal bits of information have been met with animosity. As a result, a parallel system of acquiring information (through so called information 'touts'), whether from 'closed door' cabinet meetings or from one's own electricity records, has developed.

The importance of the new Freedom of Information Laws and Bill lies in their potential for monitoring government functioning, thereby putting pressure on public bodies and civil servants to improve performance and accountability. A major drawback is the array of exceptions in all the laws, which enable the withholding of information on vague and specious grounds. In addition, there is currently no effective remedy if the government denies access to a particular piece of information.

Another noteworthy issue is the Indian IT-revolution's potential impact on transparency and participation in governance. Numerous initiatives have been launched across the country to facilitate access to government and market information. In Andhra Pradesh, which has been singled out as a test-bed for electronic governance, a network of internet access points connected to government offices is currently being established. Another illustrative example is the Information Village Research Project in Pondicherry. The project involves the installation of free-standing, solar-powered computers that act as bulletin boards for the availability of medicine in health centres and credit in microfinance schemes, for market prices, for warning of pests, etc.

The role of media in development

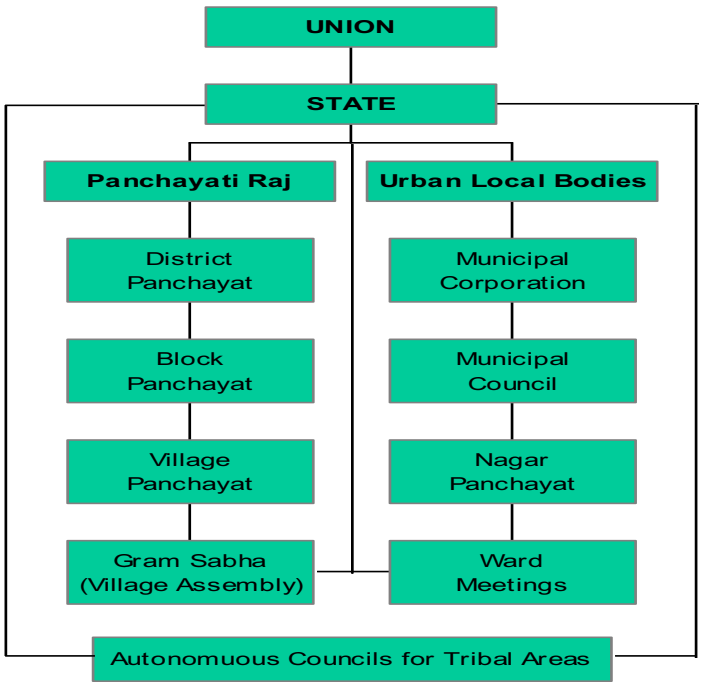
The media can play a pivotal role in supporting good governance by enabling debate and strengthening channels of public participation. In India, new opportunities have opened up as reforms have loosened restrictions on the media – including ownership controls – and strengthened constitutional and legal guarantees of freedom of speech and information. As a result, the coverage of the print media, television and radio has increased. According to the National Union of Journalists, in 1996, India had 40,000 registered newspapers with a total circulation of 212 million. At the same time, the media is becoming increasingly advertising-dependent and business-oriented with less and less space available to broader development issues. Another feature of the media in India is the dominance of the English language and continued neglect of regional languages. Even though English-language papers and broadcasts typically have smaller audiences than those in the national or regional languages, they are generally considered more influential.

Decentralisation of powers and resources

Improved access to information is an integral objective of the ongoing effort to devolve powers and resources to elected local councils. This process has gained momentum after the passing of the 73rd and 74th Constitutional Amendments in 1993, recognising *panchayati raj institutions* (PRIs) and *urban local bodies* (ULBs) as institutions of self-governance. While the PRIs consist of a three-tier system of elected councils – at the district, block and village level – that is closely linked to the state adminis-

tration, the ULBs take the form of municipal corporations, municipal councils, and nagar panchayats. The financial position of the local bodies are reviewed by State Finance Commissions, and District Planning Commissions and Metropolitan Planning Committees may be set up to guide the substantive direction of their work. The Amendments also list the functions, such as education, health, water and sanitation, which states may devolve to the local bodies.

India's federal structure



Political decentralisation has been largely successful and most states have ratified the 73rd and 74th Amendments in state acts and held elections. As a result, there are today some 250,000 panchayats at the village level, 6,000 at the block level and 900 at the district level. The corresponding numbers of municipal corporations, town municipalities and nagar panchayats are around 60,000, 1,400 and 2,000 respectively. All in all, the councils are manned by more than three million elected representatives, making it the largest representative base in the world.

State Governments have as yet to come up with the legislative and administrative mechanisms required for the decentralisation to take full effect. Invariably, the state acts are not very clear on the extent of the power of the PRIs, the division of responsibilities between the different tiers of the PRIs, as well as between the political and administrative wing of the PRIs. Even where rules are defined, responsibilities given to the local councils are seldom matched with the necessary administrative reforms. A key bottleneck is the slow transfer of staff from government departments, resulting in a shortage of technical expertise in panchayat offices. In addition, transferred staff continue to be controlled by their departments and are reluctant to take up duties assigned to them by the local councils. This has critical implications for the ability of the PRIs and ULBs to effectively manage the functions placed under their jurisdiction.

In addition to the lack of decentralisation of administrative power, devolution of fiscal resources is highly inadequate. A noteworthy exception is Kerala, where some 60% of the work previously carried out by the State Government has been devolved to the PRIs, which since 1996 also manage 35–40% of the state's total plan expenditures. On average, however, locally elected councils account for only 1–4% of the states' revenues and expenditures. Untied funds, which could be allocated at the will of the local councils and their constituencies, are negligible and while provisions have been made in the 73rd and 74th Amendments to empower PRIs to mobilise their own resources – through taxes, duties and tolls – such powers are rarely executed.

Influence of civil society on decentralisation

In recent years, elements within the Central Government and some State Governments have become more willing to develop partnerships with the civil society. Among other important areas, there seems to be a certain level of acceptance of civil society's role in decentralisation. This is reflected in the fact that the Central Government has provided funding for NGO programmes seeking to strengthen the capacity of PRIs. At the same time, civil society in India appears to be divided over the decentralisation process. Certain sections of the civil society view the local bodies as corrupt and feel that decentralisation only leads to increased inequities within the villages. Others argue that this feeling is a result of direct competition between the local NGOs and the panchayats. Generally, local NGOs prefer 'parallel bodies' as they provide a clearly designated space for NGOs in terms of financial allocations and decision-making processes.

Issues of accountability also remain. Studies reveal that people do not think PRIs are taking decisions that are relevant to their lives. This attitude is reflected in poor attendance at *gram sabha* (the village assembly) meetings, to which the village panchayat is accountable. According to a field investigation carried out in Madhya Pradesh and Rajasthan, only 7% of the eligible population participate in the gram sabha meetings. Frustration has particularly developed over the concentration of power in the hands of the sarpanches (the chairpersons of the panchayats). This has persuaded the Governments of Madhya Pradesh and Rajasthan to transfer many of the powers formerly exercised by the village panchayats to the gram sabhas.

In the same vein, evidence suggests that decentralisation does not necessarily lead to empowerment of marginalised groups. The 73rd and 74th Amendments guarantee women one-third of all seats in PRIs and ULBs, while other disadvantaged groups (including SCs and STs) must be given representation and executive positions proportional to their number in an area. The seats available to these groups of people are allotted by rotation to different constituencies. In practice, this implies that a woman or a SC/ST member elected to a panchayat will normally have a term of five years, with no prospect of re-election (in Karnataka the term is only 20 months). The system thus provides no incentive for the elected individual to deliver on their promises.

Finally, an issue that has a strong bearing on development co-operation is the relationship between PRIs and other decision-making and implementing bodies at the local level. In the absence of effective and accountable PRIs, some State Governments continue to rely on *user*

committees that deal with specific sectors – water, watershed development, forest management, etc. While such bodies indeed have proved efficient in getting the work done, they largely lack the democratic credentials of the PRIs. Some State Governments (for example, the Government of Andhra Pradesh) prefer user committees, which are arguably easier to control than panchayats, while others (for example, the Government of Madhya Pradesh) support both types of bodies and encourage collaboration between them.

Summary

- Standards of governance in India vary widely from one state to another, across sectors, and between different levels of political, economic and administrative structures.
- Poor governance is intricately linked to the inability to anticipate and adapt to changes in society, short-sighted political considerations, and the excessive role of the public sector.
- Corruption constitutes a major threat to democracy and development. While anti-corruption bodies enjoy some legitimacy, they largely lack real statutory powers. The absence of effective systems to establish accountability and ensure corrective action compounds the problems.
- Freedom of Information laws and e-governance initiatives provide scope for increasing accountability and transparency.
- A key to improving governance lies in greater and more effective decentralisation, a process that has gained momentum through constitutional amendments in the early 1990s.
- However, the decentralisation process continues to be hampered by a number of shortcomings, foremost of which is the limited transfer of administrative and financial powers to locally elected councils.

4. The Judiciary and the Rule of Law

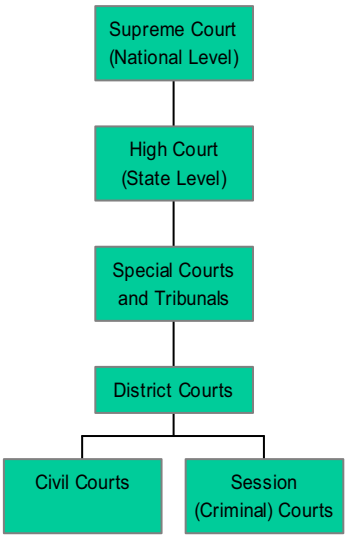
The fierce independence of India's judiciary is a cornerstone of the country's democracy. From the efforts to eliminate review of legislation in the 1970s to the judicial activism of the 1990s in taking up cases of political corruption, the judiciary has consistently defended the separation of powers. As a result, the Supreme Court and the High Courts on the whole continue to enjoy public confidence.

Backlog of cases barrier to justice

However, a significant problem with the judiciary is the huge backlog of cases. Currently around 25 million cases are pending in various courts, which means that it can take up to 20 years before a ruling is made and enforced. It is estimated that, in 1998, as many as 80% of those in prisons were awaiting their first hearing in court.

The arrears in the disposal of cases have mounted both on account of an insufficient number of courts and judges, and a vast body of antiquated and frequently conflicting legislation. Manipulation of procedures by litigants with the active assistance of lawyers also contributes to delays. Recently, a number of initiatives have been taken to remedy this situation, including the establishment of fast-track courts, computerisation of court registries and other measures that increase the availability of judges.

Indian Court Structure



Another concern is the low conviction rate – on average less than 10% of all registered cases lead to convictions. This may indicate that too many innocent people are being charged, but usually the explanation is to be found in cumbersome and prolonged court procedures. For instance, should the injured party not be present on every hearing of the court, his or her case can be removed from the case list.

Law enforcement falters

The police is a legacy from the time of British colonial rule, when the main objective of policing was not to serve the public but to be a tool for control and suppression. Since then many attempts have been made to reform the police force. In 1979, for instance, the National Police Commission recommended measures to prevent corruption, abuse of power, etc. However, despite constant reminders by the National Human Rights Commission (NHRC), these recommendations have as yet not been implemented. A serious concern is the influence that local politicians and other powerful individuals exercise over the local police.

The police also feels obliged to produce tangible *results* which often leads to arbitrary arrests and the use of torture to obtain confessions. In 1999, the NHRC recorded 1,143 deaths in police and judicial custody. However, the failure of the police to file required arrest reports makes it difficult to prove that a physical injury has been contracted while in police custody. Another concern is the excessive force used by the police in dealing with arrests or crowd control. Suspects, especially alleged terrorists, are often killed in the process of apprehension (so called encounter killings), and 'disappearances' are common, especially in areas where there is militant or other opposition to the state.

Some of the worst forms of abuse tend to take place in prisons. With a large population of persons awaiting trial, prisons in India are generally overcrowded. The Tihar prison in Delhi, for instance, was built for 3,000 inmates but is currently housing around 9,000. In many cases, problems of lack of space, insufficient provisions of food and medical services, and inadequate sanitary conditions are intricately linked to reports of maltreatment, torture, rape and custody deaths.

Impunity protects human rights abusers

Legal action cannot be brought against public servants, including the police force, for "anything done or purported to be done by him in the discharge of his official duties except after obtaining the consent of the Central Government" (section 45, Code of Criminal Procedure). As a result, many human rights abuses go uninvestigated, and only in a few cases have police officers been brought to justice. Moreover, the police is seldom publicly scrutinised. According to the law, no independent organisation may visit police stations or go through police records, and there is no formal system for filing complaints against the police.

The Constitution allows for special legislation on preventive detention when public order or national security is deemed to be under threat. This provision has been ratified in the National Security Act, which prescribes detention for up to one year for persons who are considered security risks. Recently, the Central Government has declared that it intends to expand the impunity of the police and the security forces through the enactment of extraordinary laws to combat terrorism. While such measures may facilitate the work of law enforcement authorities, the sidestepping of due legal process is eroding public trust in the judicial system.

A plethora of human rights safeguards

India has signed and ratified the two international human rights covenants (ICCPR and IESCR) and a majority of the most central human rights conventions. A notable exception is the Refugee Convention (1951). In addition, India has only signed, not ratified, the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. Reservations have also been made in other treaties against certain articles dealing with caste-related issues, child labour, etc. Moreover, a majority of India's reports to the treaty monitoring bodies are long overdue.

Established in 1993, the NHRC is one of the principal instruments of the Government to protect and promote human rights in the country. Guided by the Protection of Human Rights Act of 1993, the NHRC can investigate abuses and intervene in court cases related to alleged human rights violations. If deemed necessary, it can request reports from the concerned authorities and provide recommendations on remedial actions and compensation. Operating with the same mandate as the NHRC, State Human Rights Commissions have been set up in a number of states. Special overseeing mechanisms have also been established for safeguarding and promoting the rights of certain vulnerable groups. The National Commission for Scheduled Castes and Scheduled Tribes, the National Commission for Women and the National Commission for Minorities are the best known.

The exclusion of the armed forces from the purview of the NHRC is regarded as a grave lacuna, especially since many human rights abuses are perpetrated in the conflict-torn regions of the country.

Major human rights instruments ratified and/or signed by India

Instrument	Status
Covenant on Civil and Political Rights (1966)	R
Covenant on Economic, Social and Cultural Rights (1966)	R
Convention on the Elimination of all forms of Racial Discrimination (1965)	R
Convention on the Elimination of all forms of Discrimination Against Women (1979)	R
Convention on the Rights of the Child (1989)	R
Convention Against Torture and other cruel, inhuman or degrading treatment or punishment (1984)	S
Conventions on freedom of association and collective bargaining	–
Forced Labour Convention	R
Conventions on elimination of discrimination in respect of employment and occupation	R
Conventions on abolition of child labour	–

R = ratified, S = signed, – = neither signed nor ratified

Judicialisation of political and social issues

The law provides everyone equal access to the judicial system. However, under-privileged groups such as the poor, women, and members of SCs and STs often find it difficult to pursue their rights due to lack of knowledge of the law, inability to finance lengthy law suits, and lack of contacts in the legal and political system. Caste relations often play a huge role.

In some cases, existing laws have proved to be a barrier against justice. The laws relating to domestic violence is a case in point. For instance, maritial rape is not considered an offence unless the wife is less than 12 years old, even though marriage with a minor is itself a crime. Another example is the criminalisation of homosexuality in the Indian Penal Code, which provides legal sanction for the continued social discrimination of sexual minorities. In other cases, lack of political will has resulted in important pro-poor stipulations of existing legislation being relegated to the status of paper laws. This has especially been the case when the Hindu social order – with the caste system and untouchability as its main pillars – has come in direct conflict with the UN human rights framework that calls for prohibition of discrimination.

With regard to social issues, there are other barriers – in particular for women and the poor – than lack of knowledge, funds, availability of legal services and inadequate laws. Generally, women's claims are perceived to fall within the realm of cultural and social negotiation, e.g. family laws – i.e. outside the ambit of constitutional rights.

Summary

- The independence of India's judiciary is a cornerstone of the country's democracy. However, there has been an erosion of trust in the Indian court system in the face of the growing backlog of cases and the low rates of conviction.
- The Indian police remains largely unreformed and is a major culprit behind a large number of human rights abuses. As a result of widespread impunity, police officers have only been brought to justice in a few cases.

- India has ratified a majority of the most central human rights conventions. However, many of the institutions that have been created to oversee the implementation of human rights conventions lack real statutory powers.
- The poor and other vulnerable groups lack access to legal advice and sometimes also find existing laws biased against their needs and rights.
- Women's claims are often perceived to fall within the realm of family laws, i.e. outside the ambit of constitutional rights.

5. Civil Society and the role of NGOs

India has witnessed an immense expansion in the number and scope of Non-Governmental Organisation (NGOs) in the last decade. As part of this development, new categories of NGOs have emerged, networks have been established and strengthened, and indigenous giving has increased. In general, NGOs are valued because they are rooted in civil society and have some degree of independence from the formal rules and norms that govern the state and market institutions. NGOs are often the only outside actors perceived to work in the interests of the poor.

Widening definition of civil society

Depending on definition and source of information, estimates of the current number of civil society organisations range for from 25,000 'active' NGOs to over one million registered and unregistered organisations. One quantifiable trend is the increase in organisations registered under the Foreign Contribution (Regulation) Act, FCRA, and thus eligible to receive foreign funds. As of 2001, close to 23,000 Indian organisations were in possession of FCRA certificates.

However, compared to the reach of the government and the private sector, Indian NGOs are still quite small in scale, and overlaps, duplication and gaps are encountered in many areas. While some of the problems experienced by NGOs are due to uncertain and short-term funding, limited capacities also plays a role. This includes difficulties with rotating leadership and effective systems of financial management, planning, monitoring, and, not the least, documentation and evaluation.
Beyond such problems, there are also reports of corruption and nepotism that undermine people's confidence in NGOs.

One way of compensating for limited outreach and impact is for NGOs to build alliances and partnerships. In the field of reproductive health and rights, for instance, networks such as Health Watch and the Voluntary Health Association of India have spearheaded important policy changes – the most notable ones in the last five years being the removal of official family planning targets and more recently the 2000 National Population Policy. Still, the majority of Indian NGO networks are loose formations that rarely move beyond simple information sharing.

Diversified funding sources

Given the dearth of data it is difficult to pinpoint any clear trends in the development of the Indian NGO community. Nevertheless, it is clear that there has been a growing recognition of the importance of a strong civil society and widespread popular participation in achieving development targets.

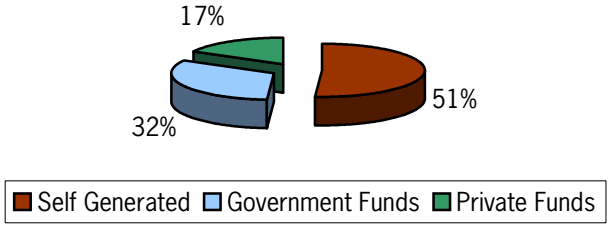
There are indications that an increasing amount of development spending, in particular that of foreign origin, is directed to actors in the civil society. This does not necessarily imply that Indian NGOs in general are becoming more dependent on foreign contributions. In fact, given the comparatively small number of NGOs in possession of FCRA certificates it follows that most organisations still rely on Indian sources of funding, mainly the Central and State Governments. However, it is reasonable to believe that the small group of organisations that are indeed receiving foreign funds are becoming more and more dependent on this source of income.

A largely untapped source of income for NGOs is the growing Indian middle class. According to the first market research on the topic of giving, conducted in 2000 by the Indian Centre for Philanthropy, the Indian public donates the equivalent of US$ 300 million annually. In fact, two out of five households in India give contributions to some kind of non-profit organisation. Moreover, in addition to private donations, there is evidence to suggest that more and more companies are looking to support social and development causes. It is also well known that considerable amounts of funds are beginning to come from the non-resident Indian community.

Government funding increases but suspicion remain

Available data indicate that governments at various levels increasingly use NGOs as implementing agents in development projects and programmes. The Government seems to have come to the conclusion that a single delivery system cannot achieve the goals of, for instance, education and health for all. In addition, NGOs are generally believed to have greater access to the grassroots than the state government departments.

Origin of NGO funds in India



For instance, NGOs have emerged as important partners in education projects such as Shiksha Karmi, DPEP and Lok Jumbish where they have been instrumental in mobilising community resources, improving the physical conditions and environment of schools, as well as in promoting girls' education and decentralisation of school administration. A similar trend can be detected in the health sector. One illustrative example is the Central Government's Reproductive and Child Health Programme, which emphasises the role of NGOs in "advocacy, counselling, raising community demand for reproductive and child health services and improving service delivery through innovative approaches that are complimentary to government services". The Programme builds on the

experience of some 60 "mother NGOs", which channel government funds to more than 600 NGOs across the country.

Some NGOs work actively with government departments and agencies to improve their linkages and influence public policies and programmes. The campaign initiated by the Centre for Science and Environment (CSE) for cleaner air and fuel in New Delhi, the contribution of HelpAge to the National Policy for Older Persons, and the efforts of NGOs in the Northeast to combat HIV/AIDS among injecting drug users are some examples where civil society has made a significant imprint on government policy.

But growing dependence on government funds and programmes is also causing concern among the NGOs, and many are wary about being seen as another arm of the government. While NGOs are independent of the state, their very survival depends on the government – on the laws governing NGOs, and perhaps more importantly, on government attitudes towards civil society. Attitudes can vary from a desire to work in close partnership with NGOs to outright hostility.

Summary

- India has witnessed an immense expansion in the number and scope of civil society organisations over the last decade. This development has coincided with a growing recognition of the importance of widespread popular participation in achieving development targets.
- While increasing amounts of foreign assistance is directed to actors in the civil society, most NGOs still rely on Indian sources of funding.
- To address problems of limited outreach, overlaps and limited management capacities, a growing number of NGOs seek to strengthen institutional capacities and form networks.
- Governments at various levels increasingly use NGOs as implementing agents in development projects and programmes, in particular in the health and education sector. Some NGOs also work actively to influence public policies and programmes.

IV. Conclusions

With a population above one billion and a land area similar to the size of Europe, India is often referred to as a continent rather than a country. To describe India as a land of incredible contrast is to state the obvious. In particular, one is struck by the diametrically opposite preconditions for development across geographic areas, population groups, and economic sectors. The rise of the middle-class is contrasted by the destitution of the poor, the economically dynamic south and west by the relatively stagnant north and east, and the rapid growth of the IT-industry by the dormant agriculture sector. Yet, there are also commonalities. Not the least, this is reflected in the structural constraints to sustainable growth, good governance, and, ultimately, poverty reduction.

Progress and setbacks in poverty reduction

The Country Analysis shows that India has witnessed a steady reduction in the incidence of poverty, from over 50% in the early 1970s to less than 30% in the late 1990s. In the field of education, literacy rates have surged from 34% to 65% over the same period, with female literacy experiencing the most dramatic increase. Meanwhile, enrolment in primary education has increased by more than 10%, and the gender gap at the primary as well as upper primary stage is narrowing. Health indicators reveal similar progress. Since the mid-1970s, the average life expectancy at birth has increased by 13 years, and both fertility and infant mortality rates have fallen by half. Moreover, significant headway has been achieved in immunising children, in the control and eradication of smallpox and the guinea worm, and in providing access to safe drinking water.

Yet, there is no room for complacency. First of all, although socio-economic indicators are improving in relative terms, the size of the country's population implies that poverty in absolute numbers continue to be alarming. Using the consumption/calorie-based definition, close to one-fourth (roughly 260 million) of the world's poor live in India. Moreover, India still accounts for 20% (80 million) of the world's children out of school, 25% of the world's under-5 child deaths, 25% of the world's maternal deaths, and is after South Africa the country in the world with the largest number of people living with HIV/AIDS. Thus, the scale of Indian poverty means that the country's progress towards the Millennium Development Goals will have a major bearing on whether these goals can be achieved globally.

Secondly, inequalities across social identities remain rampant in the Indian society. Above all, poverty is closely linked to caste and gender. Despite a range of constitutional guarantees of equality and affirmative action, members of Scheduled Castes (SCs) and Scheduled Tribes (STs) fare worse than other groups do in almost every dimension of poverty and human development. Equally neglected are the Indian women, the discrimination of whom is cemented by cultural norms and customs as well as biases in the political system, the legislative framework, and the labour market. Adolescents also require urgent attention. Despite the fact that one-fifth of India's population are between 10 and 19 years of age, the health and education needs of this group is poorly understood and ill-served.

Thirdly, poverty reduction has been very uneven across states and regions within states. Even though the states' performance varies with alternative indicators, Orissa, Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan are almost always clustered at the low end of the ranking. Furthermore, evidence suggests that regional inequalities along various poverty measurements have increased during the last decade. Urban areas consistently have better human development outcomes than rural areas. However, if the urban population rises to 40% of the population in the next 25 years, as is expected with the growth in rural-urban migration, the urban poor could double to 200 million people or more.

Opportunities for speeding up poverty reduction

Notwithstanding the mixed experience of poverty reduction, developments in India over the past decade have created a new foundation for future pro-poor growth and sustainable development. A major achievement has been the structural adjustment and macro-economic stabilisation that has been achieved following the balance-of-payments crisis of the late 1980s. Since then, a vast array of reforms has been undertaken to liberalise industry, trade, investment, and capital markets. As a result, India has emerged as one of the top ten fastest growing economies in the world. Currently, however, the country is at a crossroads. Unless reforms are taken to the next level, important gains might be lost.

Arguably the most critical issue to be addressed is the high fiscal deficit, which in turn points towards the need to increase revenues and improve the quality of expenditure. Most of all, the country is haunted by the continued lack of established costs recovery and accountability systems to ensure the financial viability, maintenance and expansion of infrastructure, such as irrigation, power and water utilities, roads, etc. The high cost of explicit subsides, primarily in agriculture, loss-making state-owned enterprises, and a narrow and distorted tax system, compound the problem.

The economic reform process has included a number of measures to increase private investment in development and encourage partnerships between the private sector and the government. While this has encouraged the private sector to inject much-needed capital for infrastructure development, the challenge is now for the government to ensure equity in access and distribution. Meanwhile, structural and regulatory complexities, and foreign perceptions of an excessively regulated business environ-

ment, remain major stumbling blocks to foreign investment and trade. While the inflow of FDI has remained modest (averaging US$ 3–4 billion per year), India's share of world trade has stayed virtually unchanged since the launch of macro-economic reforms. In addition to the high tariff levels, India has become a major users of anti-dumping measures and safeguard duties to protect domestic producers from foreign competition.

In addition to pro-poor economic growth, it is strongly believed that the key to the deficiencies in India's poverty alleviation efforts lies in greater and more effective decentralisation, in particular through the devolution of powers and resources to local-level governance institutions (i.e. panchayati raj institutions (PRIs) and urban local bodies (ULBs)). The basic concept is that the participation of local leadership and beneficiaries in decision-making not only helps in conceiving well-targeted development programmes, it also contains the costs and increases the accountability of service providers to their users. However, while decentralisation has gained considerable momentum following the passing of the 73rd and 74th Constitutional Amendments in 1992, the process continues to be hampered by a number of shortcomings. Above all, the devolution of administrative powers and financial resources to PRIs and ULBs has been highly inadequate in many states. Other concerns are the lack of accountability of these bodies and competition from non-elected user groups that deal with specific issues, such as watershed development, forest management, elementary education, etc.

Similarly, there has been a growing recognition of the importance of a strong civil society and widespread citizen participation to achieve development targets. Over the last decade, India has witnessed a phenomenal increase in the number and scope of NGOs, many of which have proven to be more effective than the public sector in reaching local communities and empowering the poor. Some NGOs have also emerged as important watchdogs of the government with a rising influence on policy formulation.

Finally, in spite of policy failures and inadequate delivery mechanisms, recent programmes in the education and health sectors have incorporated a great deal of innovation and experimentation. Together with far-reaching political commitments, these programmes present a clear movement towards more responsive, quality-oriented and decentralised public health and education systems. The increasing judicialisaton of social issues could also provide a stepping stone for wide-based poverty reduction. An illustrative example is the strategy of some human rights organisations to file petitions in the Supreme Court to impress the government upon its responsibilities.

Threats to development and sustained poverty reduction

India is a stable, federal democracy characterised by an independent legislature, executive and judiciary. The risk of a rapid and substantial deterioration in the democratic situation, and thereby in the conditions for development co-operation, should be regarded as low. At the same time, shortcomings in the system of governance – including pervasive corruption – clearly put a check on India's ability to reach development targets.

India is also plagued by deepening caste-based, religious and regional divides, a rise in communal violence, and the continuation, and in some cases worsening of armed conflicts. In addition, tensions between India and Pakistan have loomed large in the wake of 11 September 2001, and subsequent terrorist attacks in India, and there is an ever-present risk of a large-scale conventional or even nuclear war. All in all, conflicts add to the strain on India's cohesiveness and continue to be a great obstacle to economic growth and development.

India also faces a number of less tangible but equally alarming threats. The rapidly degrading environment is a case in point. Especially in the fastest growing states of the country, the urban and rural environment is under increasing pressure from industrial and vehicle pollution, mushrooming of slums, ecologically unsound agriculture, and over-exploitation of natural resources. In other areas, the principal threat comes from the scarcity and mismanagement of water resources. Most of all, the erosion of traditional rainwater harvesting systems, the indiscriminate boring of tube wells and the promotion through government subsides of water-intensive cash crops in arid areas have led to a rapid decline in the water table. Adding to this scenario are recurring natural disasters, especially floods and droughts, which every year affect on average 50 million people.

Another silent emergency is the rapid spread of HIV/AIDS. Although the size of the epidemic is still limited in relative terms, India will possibly soon be the country in the world with the highest number of people living with HIV/AIDS. The gravity of the situation is further reflected in the fact that, in a number of states, HIV infection among women attending antenatal clinics has crossed the 1% mark, indicating that HIV is spreading among the general population. Apart from the social consequences, including rising number of AIDS orphans, the inability of infected parents to care for their children, and social disintegration due to discrimination and stigmatisation, the costs to households and the Indian economy at large will be substantial.

List of abbreviations

ADB	Asian Development Bank
CAG	Controller and Audit General
CBO	Community Based Organisation
CHC	Community Health Centre
CNG	Compressed Natural Gas
CPI	Corruption Perception Index
CSE	Centre for Science and Environment
CSS	Centrally Sponsored Scheme
CTBT	Comprehensive Test Ban Treaty
DFID	Department For International Development
DPEP	District Primary Education Programme
EAS	Employment Assurance Scheme
FCRA	Foreign Contribution Regulation Act
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GDI	Gender-related Development Index
GSDP	Gross State Domestic Product
HDI	Human Development Index
HPI	Human Poverty Index
IAS	Indian Administrative Service
ICCPR	International Covenant on Civil and Political Rights
ICPD	International Conference on Population and Development
IDF	India Development Forum
IDU	Injecting Drug User
ICESCR	International Covenant on Economic, Social and Cultural Rights
ILO	International Labour Organisation
IRDP	Integrated Rural Development Programme
IWRM	Integrated Water Resources Management
JFM	Joint Forest Management
MDG	Millennium Development Goals

NACO	National AIDS Control Organisation
NACP	National AIDS Control Programme
NDA	National Democratic Alliance
NFHS	National Family Health Survey
NHRC	National Human Rights Commission
NGO	Non-Governmental Organisation
NPT	Non-Proliferation Treaty
NSSO	National Sample Survey Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PDS	Public Distribution System
PHC	Primary Health Centre
PIL	Public Interest Litigation
PLWHA	People Living With HIV/AIDS
PPP	Purchasing Power Parity
PRI	Panchayati Raj Institution
PRS	Poverty Reduction Strategy
PSU	Public Sector Unit
RCH	Reproductive Child Health
SC	Scheduled Caste
SAARC	South Asian Association for Regional Co-operation
SEB	State Electricity Board
SSA	Sarva Shiksha Abhiyan
ST	Scheduled Tribe
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
ULB	Urban Local Body
UNDP	United Nations Development Programme
WHO	World Health Organisation

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