Press Release

India Rural Development Report 2012|13 launched

September 26th 2013, New Delhi: The India Rural Development Report 2012|13 was released today by Shri Jairam Ramesh, Hon'ble Minister for Rural Development, Government of India. The Report was prepared by IDFC Foundation in collaboration with network partners, the Centre for Economic and Social Studies (CESS), the Institute for Rural Management Anand (IRMA), and the Indira Gandhi Institute of Development Research (IGIDR), with contributions from several other researchers, experts and civil society organisations. On the occasion, Dr. Mihir Shah, Member, Planning Commission, gave a special address. Dr. Rajiv Lall, Executive Chairman, IDFC, highlighted the key points of the Report. The launch was followed by an animated panel discussion on 'Enhancing Rural Livelihoods: What Can Be Done?'

Concurring with the Report's analysis of why government programmes have not been as effective in achieving their goals, Shri Jairam Ramesh said *"We need continuous evaluation and feedback to help us improve our rural programmes for which we are setting up an independent Concurrent Evaluation Office."*

Commenting on the thread of sustainability that runs through the Report, Dr. Mihir Shah emphasised the centrality of water to rural life, saying *"Water, which is critical for survival and livelihoods, must be managed holistically across different uses, with coordination across government departments, and with community participation."*

Dr. Rajiv Lall underscored the need to find innovative solutions to address some of the most pressing challenges, saying *"While rural consumption and aspirations are rising, we can no longer fail to provide our rural population basic services and opportunities to enhance their livelihoods."*

The Report provides a comprehensive landscape of rural India, covering debates on topical issues, providing empirical analyses and synthesising literature across a spectrum of issues including regional disparity and deprivation; the changing nature of livelihoods; sustainability of natural resources; and the changing role of the state and local self-governance. It reviews all major central government rural programmes and schemes and, in particular, the flagship MGNREGA. It will be a valuable resource for policy makers, state and local bodies, researchers and the private sector.

- **The Report highlights the need to develop new strategies for farm livelihoods.**
  - Income from farm livelihoods is no longer sufficient for a household, especially for smaller and marginal farmers, who make up 85 percent of farm holdings, and for dryland farmers that occupy more than half the cultivated area.
  - Need to encourage new crop models for them, and revive traditional crops like millets, that suit drylands. Cultivation of different varieties of millets, which are hardy and nutritious, can be promoted by procuring and distributing through the public distribution system (PDS).

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- Various types of collective farming have helped small farmers overcome problems of scale, insecure land tenancy and poor access to credit, modern supply chains and storage.
- Nearly 2 million farmers in Andhra Pradesh have successfully adopted community-managed sustainable agriculture (CMSA), significantly reducing their cost of cultivation and soil toxicity by doing away with chemical inputs while increasing or maintaining yields.
- Water efficiency in farming is also critical as 80 percent of water use is for agriculture. Water must be considered a community resource and the management of both ground and surface water must be looked at holistically across all uses of water.

- **Non-farm income sources are increasingly important – 43 percent of rural families rely on non-farm employment as their major income source.**
  - Indian rural households are typically pluriactive, combining work on their own farm, with that on others' farms, animal husbandry, and commuting or migrating to undertake non-farm activities in villages, towns or cities.
  - Non-farm employment offers better wages and social mobility for lower castes to move out of agricultural labour. There is also some evidence that higher non-farm wages have helped increase agricultural wages.
  - Non-farm work is predominantly casual in nature with most work in the construction and trade sectors. Even manufacturing employment has become increasingly informal over time. This denies workers job security and benefits of formal employment.
  - Must tackle the important barriers to non-farm livelihoods - lack of access to credit, marketing and skills. Financing skill training is difficult: trainees are not assured job placement or higher wages, and employers find training not relevant or employee retention difficult. While some projects have worked scalable solutions are needed.
  - Recently, the government launched Aajeevika – aimed at skill development, assisting the poor set up small businesses and expanding access to capital through SHGs.
- **Poverty, though reducing, is increasingly concentrated amongst certain regions and social groups.**
  - In 1993–94, nearly 50 per cent of the rural poor lived in seven states — Jharkhand, Bihar, Assam, Odisha, Chhattisgarh, Madhya Pradesh and Uttar Pradesh. This rose to 65 percent in 2011–12, though states like Bihar, Chhattisgarh and Uttar Pradesh have reduced poverty significantly since 2009-10.
  - These states, along with Rajasthan, also fare worst on education learning levels, child and maternal health, and poor penetration of healthcare services.
  - Only 18 percent of rural households have access to all three basic services – drinking water within premises, sanitation and electricity – and 20 percent have none of them.
  - Almost all the bottom two quintiles of districts in terms of access to the three basic services are in Rajasthan and the seven states excluding Assam. There are also pockets of deprivation in richer states, such as Andhra Pradesh, Maharashtra and Karnataka, which are mostly in dryland areas.
  - Poverty is markedly higher among scheduled castes (SCs) and scheduled tribes (STs) who together constituted 44 percent of the rural poor in 2009-10.
  - Despite progressive legislation, SCs and STs continue to face discrimination, limiting their participation in economic, social and political spheres. They have the highest rates of malnutrition, child mortality, and access to public health services. STs fare the worst.

- **Government spending on productivity-enhancing infrastructure has a more significant and lasting impact on poverty reduction than spending on subsidies.**
    - Village-level connectivity has improved, especially roads, electricity and telecommunications. Yet results are not commensurate with government expenditure. Household-level access is poor, especially for the most vulnerable, and infrastructure assets are often of poor quality, incomplete, unusable or badly maintained.
    - Almost all villages are connected to the grid, but 45 percent of rural households lack electricity connections. Electricity supply is often unreliable and water supply unavailable or polluted. Almost 70 percent rural households lack sanitation facilities.
    - Also, in education, nutrition and health, service delivery is marred by widespread absenteeism of government healthcare providers and teachers, leading to poor outcomes.
    - Learning from past experience, government approaches are changing and must include:
        - Community ownership of assets: Some communities have successfully monitored drinking water quality, ensured equitable access and maintenance of assets built.
        - Maintenance: PMGSY has built all-weather quality roads, with maintenance built into the construction contract. States must set aside funds to budget for maintenance.
        - Change in targeting approach. The 2011 Socio-Economic and Caste Census, has collected information on a range of deprivation indicators, is verified by the gram sabha.
        - Greater flexibility under schemes for states and PRIs to adapt to local conditions
        - Addressing institutional fragmentation, streamlining responsibilities between ministries and between state and local governments, and greater convergence in scheme delivery.
        - Incentivising private provision where possible: Just as competition expanded reach and affordability of telecoms in urban areas needs to be replicated in rural areas by using the universal service obligation fund to encourage private competition in rural telephony.
        - Improve transparency and accountability of public service delivery through social audits or public checks by the gram sabha. Increased use of performance-based incentives and conditional cash transfers could also significantly improve outcomes.
- **Panchayati Raj Institutions (PRIs) were envisioned to create more participatory, accountable and resource-efficient governance but they have not succeeded for several reasons.**
    - States need to devolve more funds, support staff and functions as well as ensure regular revenue flows to PRIs. They must also clarify and assign responsibilities to avoid overlap with parallel agencies, and strengthen capacity building of PRIs.
    - Interference by local elites and corruption could be addressed by increasing gram sabha awareness on participation rights, and social audits.
- **MGNREGA has provided an average of 40-50 days of employment per year to about 25 percent of all rural households making it the largest public works programme in India's history.**
    - Self-targeting has worked to an extent, as the Scheme has served more poor and disadvantaged households, women, SCs and STs, than better-off households.

- It has helped empower women by providing them employment on equal terms. Women account for almost half the total person days of employment under MGNREGS.
- The Scheme has contributed to reducing poverty, both directly as well as indirectly, by putting upward pressure on agricultural wages.
- But the programme has inadequate coverage amongst the needy (despite their demand for work) especially in those states that have a high incidence of poverty, possibly reflecting weaker governance in those states. Other issues that must be dealt with urgently are delays in providing work and in wage payments, and shortage of engineering staff.
- MGNREGA holds considerably more potential which can be unlocked by ensuring that good quality assets are built and there is more active participation by the gram sabha which strengthens local government.

About IDFC Foundation

IDFC Limited was incorporated in 1997 as India's first specialised infrastructure-financing intermediary in order to address the growing requirements of the various infrastructure sectors. IDFC's mandate is to lead private capital flows to commercially viable infrastructure projects. In keeping with its mission of 'being the leading knowledge-driven financial services platform, creating enduring value, promoting infrastructure and nation building, in India and beyond', IDFC has carved out its development agenda under the rubric of the IDFC Foundation. IDFC Foundation is a wholly-owned subsidiary of IDFC Limited and a not-for-profit company under Section 25 of the Companies Act, 1956. IDFC Foundation's activities, which are aimed at strengthening the delivery of public infrastructure services, include policy advocacy and research, programme support and advisory services, capacity-building and community engagement programmes.

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