

# Overview: Motivation for the Report and Major Findings

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India is going through a tremendous structural transformation that is changing its economic, political and social dynamics. The submissiveness and tolerance to an unjust social dispensation, in part a product of India's colonial past, the constraints of ideology and controls on initiative and entrepreneurship, and the indifference of individuals to engage with social causes in the collective interest, is slowly giving way. It is getting replaced by the restless energy and the rising expectations of India's youth and business. There is mobilisation of people on issues that affect the society at large. There are some signs of change in the way India governs itself – a gradual move towards transparency and more accountability of public institutions, and hopefully also more functional decentralisation of public agency, in the coming years. Though the impetus to this change began with the economic reforms of early 1990s, there have been several events since then contributing positively to this process and, perhaps, as many holding back the pace of progress in the desired direction. The principal challenge is to not let the sense of despair and hopelessness that comes from, for instance, the discovery of new scams in the public domain, the periods of apparent stillness in this process for lack of political engagement, or for that matter the crassness of public figures, to cloud the optimism and the energy for reforming the way people live, work and engage with others. India needs reforms and technological innovations that respond to its unique needs in all aspect of human life and not just in economic policy. India cannot afford to miss this huge opportunity that its youthful population presents, even to swim against the tide and join the ranks of developed nations in the not-too-distant future.

The process of reforms to underpin the huge task of India's transformation has to be informed by the state-of-art expertise, an active participation of people and, above all, an outstanding political leadership and a dedicated administrative capacity. As Nilekani (2008) argues in his fascinating book, it requires a clutch of ideas to build, from a genuinely inclusive democracy to a meaningful social security, from a good quality education and public health to sustainable energy sources, from an improvement in rural living standards to efficient and maintainable urban habitations, and many more. Acemoglu and Robinson (2012) show that it is man-made political and economic institutions that underlie economic success or lack of it. Basu (2000, 2011) argues that an economy must be viewed as embedded in society and politics. He goes on to suggest that social norms and culture are perhaps more important than standard economic variables in determining economic efficiency and the growth trajectory of an economy. All that seems to be true, yet the prescription to rapidly counter underdevelopment remains elusive. It is important for the success of India's grand transformation project that the policies from the available options are judiciously chosen, sensibly prioritised and strategically integrated with the larger vision for the country. Both normative considerations and evolving evidence need to guide this vision and the march towards realising it. Ultimately, countries that have succeeded in overcoming the shackles of underdevelopment and poverty and sustained high growth for long periods have invariably done so by charting their own unique course to development.

In India, unlike for instance in China, it appears that there is little political economy engagement on long term projections, scenario analysis, anticipating capacity constraints for a growing economy on a continuing basis, and in formulating and implementing strategic plans in a timely manner. The compulsions of coming good in the periodic election cycles in a multi-party democracy seem to override the need to engage with some of these issues.

Thus, in the past, even some well-intended and well-designed public interventions have failed to deliver the desired outcomes in full measures. This has to change and rapidly so. While remaining focused on the distant goals, the policymaking process has to acquire a certain suppleness to effectively respond to ever changing context. There are at least two facets to addressing this challenge. First, there is a need to ground public policy and public action as much in the available evidence, as in the relevant normative considerations. Second, there is a need to present evidence in a manner that it improves the transparency and accountability of the political economy decision making process and make it more effective. At the same time, improved access to relevant evidence has to support a build-up in awareness and the quality of stakeholder engagement in public debates to help set policy priorities in an informed and a meaningfully participatory manner.

The discipline of economics has been very creative in finding ways to collect and apply the available evidence to improve public interventions. The use of randomised controlled trials have added to the phenomenal armoury of econometric techniques, applied on large data sets, to help bridge some of the information gaps that constrain the policymakers from making informed choices. Both these empirical approaches have something important to contribute to the process of evidence-based policymaking and need to be used in tandem. Yet, while the information from randomised trials is more useful in designing and refining specific interventions for a given context, it is, perhaps, the larger picture based on use of large datasets that is vital for decision making and priority-setting at the national and sub-national levels (see, for instance, Deaton, 2009). The thinking and analysis presented in *India Public Policy Report 2014 (IPPR 2014)* is guided by the intention of bringing together such evidence for an informed policymaking process and effective implementation of public initiatives for development of the economy and the society.

## I. Motivation and Objectives

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A vision without an adequate basis in ground-realities is less likely to be fully realised. Policies without some basis in evidence are unlikely to be effective in meeting their stated objectives. Similarly, data without a story and data with gaps is also unlikely to support good quality policy analysis. As the Indian policymakers prepare to meet the policy challenges of a globalised economy, on one hand, and the needs of a rapid structural transformation in the domestic economy, on the other hand, it is imperative to strengthen policymaking capacity at the national and sub-national levels in the country. Indeed, the changing role of the government from a provider to an ‘enabler’ requires deeper analytical capacity and economic expertise to be injected into the decision making processes. It requires policymaking to become more evidence-based. The IPPR initiative, while flagging these capacity concerns, presents a framework to systematically address them. This Report seeks to create an independent platform for bringing together state-of-the-art policy research on issues of policy relevance to India, thereby contributing to public policy effectiveness in the country. More specifically it focuses on: (a) strengthening a culture of evidence-based policymaking anchored in rigorous research; (b) evolving a credible methodology for periodic assessment and analysis of public policy options, choices exercised and performance at the state level with a view to improve policy outcomes and their developmental impact; (c) anticipating and flagging thematic issues that have a bearing on the short to medium-term development prospects of the country, in the process help in raising the level of public debates to inform the required policy response; (d) highlighting best practices and institutional capacity constraints in translating policies into desired social outcomes; and (e) supporting the evolution of public policy

as a multi-disciplinary subject to meet the needs of the country.

In meeting these objectives this report and its periodic sequels seek to reach out to the policymaking machinery in the country, including the legislature and the executive, the civil society, academic community and the media, to help support informed debates on issues of topical policy relevance. In this edition, the thematic issue of poverty, hunger and malnutrition in the country is taken up for a focused analysis. The objective is to assess the available evidence on the issue and suggest policy correctives, where required. In addition, a parallel story on best practices and policy options (in boxes) runs through this report to supplement the analysis presented in the Chapters.

## II. Policy Effectiveness Index: Summary of Findings

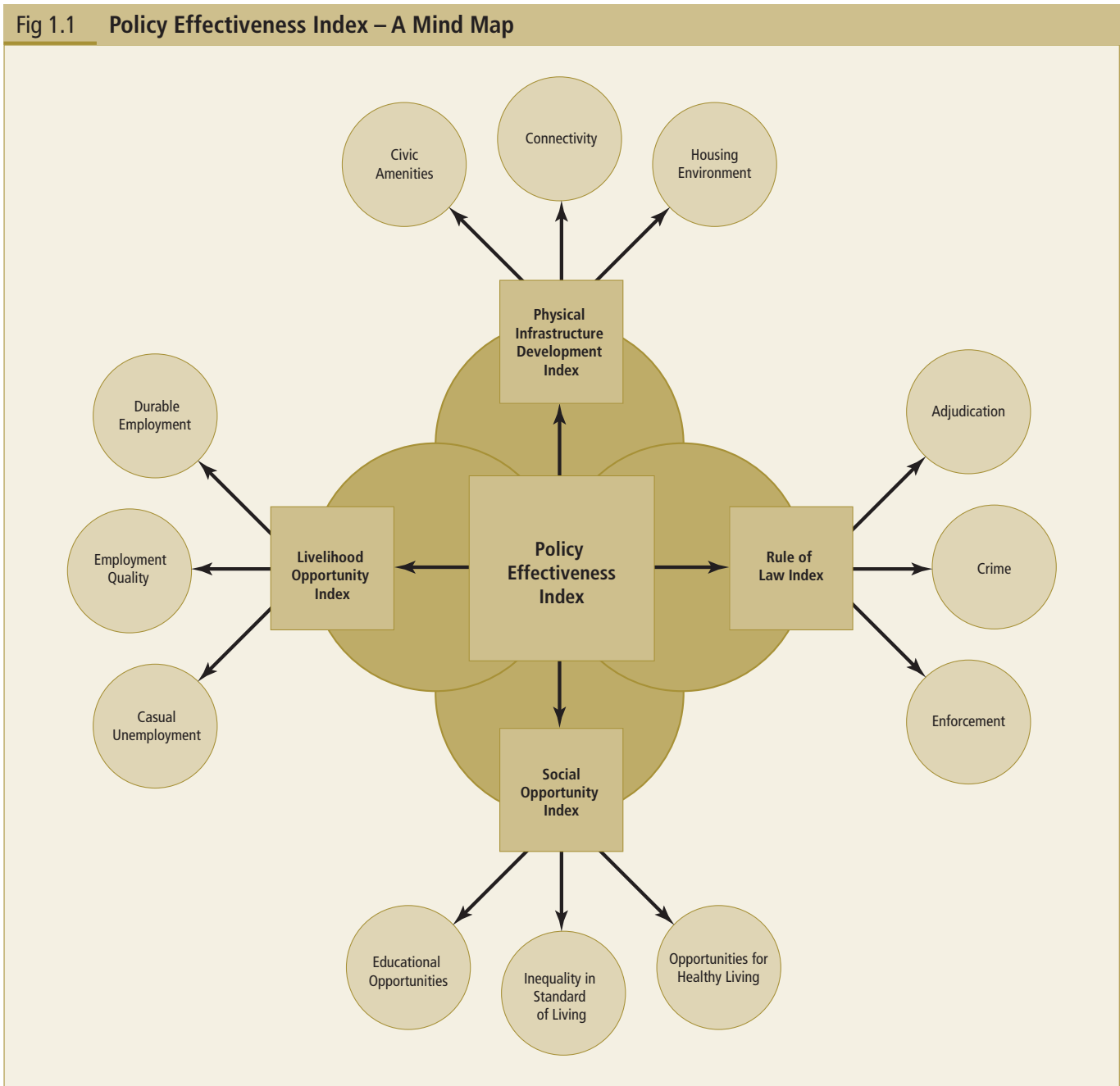
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Generally speaking, an assessment of public policy effectiveness requires relating specific policy measures to the attainment of corresponding outcomes, or (stated) development goals. With development being increasingly seen in terms of securing a broad-based notion of human wellbeing, anchored in a human development framework, policy effectiveness requires assessment of multiple human development outcomes. At the same time, policy effectiveness can also be assessed in terms of the quality of policymaking process. That may include, for instance, the level of political consensus and commitment to policy reforms, the extent of public participation in the formulation and implementation of policies, resource efficiency of implemented policy measures, and the transparency and accountability of the policymaking process. In conceptualising a quantitative measure for assessing public

policy effectiveness at state level for India, this report uses a multidimensional notion of human wellbeing as an anchor. Though important, it excludes issues related to the quality of policymaking process from the measurement matrix, primarily on account of data limitations. Progress in indicators capturing the different wellbeing dimensions anchoring the measure is related to the corresponding policy action(s) to infer the effectiveness of those policies.

The Policy Effectiveness Index (PEI) presented in this report is a multidimensional and a multi-indicator measure, which is an equally-weighted composite of four component indices, namely: (a) Livelihood Opportunity Index; (b) Social Opportunity Index; (c) Rule of Law Index; and (d) Physical Infrastructure Development Index. The component indices reflect human wellbeing from being able to enjoy: livelihood opportunities; a socially meaningful life; security of life and

**Fig 1.1 Policy Effectiveness Index – A Mind Map**



rule of law; and amenities for a sustained improvement in living standards. The nature of public goods provisioning that supports outcomes associated with each of these wellbeing dimensions, provides the indicators going into the different indices. Each of the component indices has more than one attribute, which is reflected through one or more relevant indicators in the measure. At the level of the component indices, a judgement based on normative considerations has been exercised to weight the attributes and their respective indicators differently. Figure 1.1 presents a mind map of the PEI and its constituents. The indices have been estimated for four points of time over the period 1981 to 2011 at state level for India. The analysis undertaken provides empirical evidence for some of the commonly made observations on India's development process and its outcomes. It also throws up some results that are contrary to prevalent understanding of this process and its results.

At the all-India level there is a gradual, but only a marginal, improvement in the policy effectiveness index over the three decades. It is being compromised by a near stagnancy in expansion of livelihood opportunities and deterioration in law and order and justice dispensation environment in the country. The main drivers of the policy effectiveness index are the improvements in physical infrastructure and, to a lesser extent, social opportunities (mainly confined to post-2001 period). The best performing states on the PEI are the smaller states (two of them from the north-eastern region) and union territories, all of them have a more balanced performance on the PEI components. Among the states, Sikkim is at the top in 2011 (and also in 2001), followed by Mizoram and Goa. The highest ranked large state in 2011 is Punjab followed by Himachal Pradesh. Among the worst performing states on PEI are the traditionally backward states (Odisha, Bihar and Madhya Pradesh) with relatively high incidence of poverty and lower social opportunities, weak law and order and justice dispensation. There is also some evidence of a pickup in growth

momentum supporting improvement in PEI. However, there are significant variations in the performance across states on different indices within the category of good, as well as the poor performers, which becomes evident as the component indices are analysed.

Overall, at the national level, livelihood opportunities improve over the period 1983 to 2009-10, though there is some decline in the eleven year period from 1993-94 to 2004-05. Job creation in non-agricultural sectors in rural areas is not keeping pace with shift of the labour force from agriculture and, in the urban areas, informal service sector employment opportunities have resulted in lower unemployment rate. Construction sector accounts for the major share of increase in non-agricultural employment in both rural and urban areas, though after 1993-94 the employment in service sector in urban areas is also expanding. Smaller states, particularly in the hilly areas of the country, including the north-east, which otherwise are doing well on other dimensions of PEI, are not necessarily the best performing states in terms of creating livelihood opportunities in both rural and urban areas. There is, therefore, a need for policy intervention to diversify their local economies. Also, improved growth momentum is not necessarily accompanied by improvement in livelihood opportunities.

There is a gradual improvement throughout the period 1981-2011 in social opportunities as reflected in educational and health attainments, as well as the standard of living captured through real per capita monthly expenditure (adjusted for inter-personal inequality). Much of this progress is on account of improvement in the educational indicators, particularly since 2001, reflecting the impact of the initiatives under the education policy and programmes being run by the central and state governments. It is also likely that in the second half of the last decade benefits from programmes like National Rural Health Mission may have started kicking-

in especially in some of the backward states like Bihar and Assam and to a lesser extent in Rajasthan and Uttar Pradesh. Improved growth momentum appears to have very little impact on increasing social opportunities in the better-off states, but a considerable impact in the backward states post-2001.

There is a steady deterioration in the law and order and justice dispensation environment in the country over the last three decades. The deterioration is the sharpest in the 1980s followed by stagnation in 1990s and a further decline, though at a reduced pace, but more widespread in the last decade. Much of the decline in the composite measure on rule of law is associated with a sharp decline in the court-case disposal rate, in the first two decades and stagnation thereafter. All the worst performing states are large states and Gujarat has been consistently in the bottom 2 to 3 states on this measure in all the three decades. All good performing states are small states or union territories and except for one, all are from the north-eastern region of the country that also shows a rising density of police personnel. For the country as a whole, there is a rising trend in the incidence of cognizable crime reported against women under all categories namely, rape, molestation, abduction and cruelty by relatives, though there are regional variations in the increase by type of crime. A high recorded crime rate is not necessarily a reflection of unsafe environment for living. It can well reflect a sensitive administration and law enforcement in the state. It is therefore best to interpret that indicator in conjunction with other relevant information.

Despite there being a sustained improvement in the expansion of basic amenities and infrastructure over the period 1981 to 2011, only about one-third of the Indian households in 2011 have access to sanitation, safe water and electricity concurrently in their homes and it is largely an urban phenomenon. There are significant rural-urban disparities in infrastructure development,

though disparities in respect of road connectivity and quality of housing appear to be diminishing over time. The good performing states and union territories on infrastructure development, barring one, are all in the northern region and include Chandigarh, Punjab, Sikkim, Delhi, Haryana, and Himachal Pradesh. States like Bihar, Odisha and Madhya Pradesh from the eastern and central regions of the country are among the worst performing states on infrastructure development. The quality of road connectivity in the north-eastern region also needs significant improvement. Finally, improved growth momentum appears to be associated with improvement in infrastructure development, especially in the decade 2001-11.

For analysing effectiveness of policy measures, the focus in this report has been on tracking progress in physical outcomes associated with those policy measures, rather than on the respective financial outlays of the government. It is generally seen that there is no monotonic relationship between public expenditure undertaken and the physical outcomes that the expenditure supports, particularly in a cross-sectional study such as this one. Though one expects that within a state, or a region, there is likely to be some monotonic relationships between the two variables. The state level data on public outlays on education, health and amenities for India also supports such a conclusion. In general, there appears to be a relationship between health outcomes and access of households to amenities and the public expenditure undertaken on those two sectors. This is unlike the weak association between public expenditure on education and the educational outcomes, especially in the most recent decade.

### III. The Challenge of Poverty Eradication

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Over the past decades there has been a decline in the incidence of poverty at the national level and in most states in India on most methodologies put forth for estimating the poor. However, the magnitude of poverty continues to be unacceptably high on any count. India has the largest number of poor among all countries and it is home to one-fourth of the world's poor.

India's poverty is getting increasingly concentrated in a few geographical areas (undivided Uttar Pradesh, Madhya Pradesh and Bihar and in Odisha), and among specific social groups, including the scheduled tribes, scheduled castes (in both rural and urban areas), Muslims in urban areas and Christians in rural areas (mainly Odisha), asset-less labour and women. There is also evidence to suggest that inter-personal, rural-urban and across-state inequalities in per capita consumption and in some socially valued human development outcomes have increased in recent years, though not uniformly. There is a need to focus on urban poverty which is becoming more widespread than rural poverty and is likely to grow further as the pace of urbanisation picks up in the coming decades. There is also a need to focus on addressing the poverty incidence among agricultural labour in rural areas and casual workers in urban areas, with urgent steps to create a social protection floor for the urban poor. Further, it is necessary to check deterioration in income inequalities that show a tendency to rise, especially in urban areas, so that growth can effectively support a rapid reduction in poverty incidence in the country.

India's poverty alleviation framework needs a functional dovetailing into a four-pronged strategy. The four pillars of the strategy namely, basic needs approach, human rights entitlement approach, natural resource management approach and growth and reforms for poverty

alleviation are not necessarily mutually exclusive. They reinforce each other and collectively provide a policy framework that is reasonably exhaustive for supporting effective poverty eradication. Unless they are recognised as a part of an integrated operational policy framework for poverty alleviation, there will be little attempt made at the administrative level to seek convergence of different programmes to harness the benefits from the potential synergies of these interventions.

Ultimately agriculture growth, while balancing the concerns for raising productivity with sustainability has to be the principle instruments for addressing poverty in the chronically poor regions of the country. The social protection floor in the urban areas has to be expanded with an employment generation programme that focuses, in equal measures, on promoting self-employment through skill and asset augmentation measures, and provides a limited wage employment guarantee like in the rural areas of the country. There is also a good case for expanding limited conditional cash transfer schemes for social and religious population groups, mainly in the urban areas, with a view to address their social protection needs and encourage them to become a part of the social and economic mainstream of the society. Finally, there is a specific role for the rights-based entitlement approach to social protection, but this cannot be at the expense of fiscal responsibility and sustainability of the growth process in the economy.

### IV. India's Hunger and Malnutrition

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Hunger, as understood in everyday life, is a state of unease or discomfort on account of an individual not having enough food. To assess the incidence of hunger or undernourishment, typically, the approach is to compare the actual food intake to the

required level. The required level, or food adequacy, can simply be defined in terms of frequency of 'square meals' in a day. Alternately, it can be defined in terms of a set of recommended dietary allowances for an average individual in a society. Further, although hunger most directly manifests in inadequate food intake, over time inadequate food intake and a poor diet, especially in combination with low birth weights and high rates of infection, can result in stunted and underweight children. The most extreme manifestation of persisting hunger and malnutrition is mortality. Thus, both anthropometric measures and mortality rates especially for children are an important symptom of hunger, undernourishment as well as malnourishment.

The incidence of food inadequacy or undernourishment in India is low, much lower than the incidence of poverty. However, it does not take into account the issue of malnutrition or, the absorption capacity of an individual (for both macro and micronutrients), which is vital for a healthy and productive life. Even though there is improvement in food adequacy over the years, nutritional improvement is not commensurate; in fact, there is deterioration in some regions. Uttar Pradesh has the highest share of malnourished both in rural and urban areas, with malnourished defined in terms of their food adequacy falling short of the recommended dietary allowance, or even in terms of the symptoms of hunger and malnourishment. The other states that show a high incidence on one or the other of these measures for the most recent period are rural Bihar (food adequacy, underweight children and child mortality), rural Madhya Pradesh (child mortality), Maharashtra urban (food adequacy and underweight children) and rural West Bengal (food adequacy).

The data at state level reveals a relationship between the two variables,

poverty and malnourishment, howsoever the latter is measured. However, the relationship between malnourishment and economic growth, or malnourishment with agricultural growth, is not as obvious empirically. This has implications for the policies to address hunger and malnutrition.

Policies to tackle hunger need dovetailing of the longer-term perspective, in the form of empowering of the poor and improving their entitlements through investment in human capital, with the social protection measures that address the immediate needs of the hungry and the malnourished. Given that undernourished are mainly in rural areas and likely to be engaged primarily in agriculture, it is important to improve the agricultural pathways to nutritional security. Further, access to a diverse food basket alone may not overcome malnutrition significantly. There is scope for well implemented government programmes so that access to sanitation, potable water and health facilities, in a timely manner, helps in the consolidation of the gains from improved entitlements to food and nourishment. In India, virtually all public programmes at the central and state level have some elements of poverty and hunger eradication. Therefore, it is important that at the state and district-level there is an integrated and a coordinated approach to the implementation of the public programmes. In regions where there is a large burden of hunger, the focus has to be on involving the local community in service delivery and oversight. Synergy and convergence between different programmes at the grassroots level can ensure a more holistic and a result driven approach to eradication of hunger on a sustainable basis. A model where the political interest itself becomes the vehicle to bring about an administrative convergence, across splintered and thinly-spread programmes, broadly with similar objectives and the targeted population, at the local level is proposed in the last Chapter.