

Is the Stage set for Mainstreaming Trade into National Development Strategy of India?

Introduction

Given the major role that trade can play in poverty reduction, it is necessary to mainstream trade into India's national development strategy. In doing so, it is vital to engage civil society in a socially inclusive manner and to embed social and political considerations into trade policy making.

This paper examines the conditions that need to be satisfied for mainstreaming trade into the National Development Strategy. The findings are based on survey results from the agriculture sector in the states of West Bengal and Rajasthan comprising farmers, political representatives at the local level and government representatives.¹

The agriculture sector has been heavily impacted by globalisation in terms of livelihoods and economic security. Noticeably, while some people in a certain geographic, cultural or economic area have benefited from trade liberalisation, others have experienced adverse effects. The major challenge to the government is to decrease this variability and increase the efficiency of service and support delivery to those who need it.

The role of the three-tier system of *Panchayati Raj Institutions (PRIs)* providing local governance is crucial for strengthening democracy at the grassroots and the right to self-governance in India. However, there is a deep disconnect between local demands and government policies and an information asymmetry exists with regard to government schemes and policies, particularly at the grassroots. Low efficiency in service delivery is attributable to weak management of government support schemes for agriculture and corruption, resulting in untimely delivery and ultimate failure of the intended development schemes. There are also monitoring deficiencies in the implementation of government programmes.

The lack of basic knowledge among the rural populace on trade and globalisation is symptomatic of a general lack of access to means for development. Participation in the democratic process, some education and mere awareness are not sufficient to ensure access to the means for development. Rather, multitudes of social, political and

economic factors prevailing at the ground level are also relevant.

Among the major determinants of exclusion from the development process in rural areas are gender and caste. This paper assesses the policy making process at the grassroots, identifies its systemic weaknesses and the reasons for people's lack of political engagement. In setting the stage for mainstreaming trade into India's National Development Strategy, the aspects of human development and socially inclusive decision making must be given more consideration.

How inclusive is the Policy-Making Process?

In order for all citizens in a democracy to effectively participate in the decision making processes that affect their livelihoods, several components have to be put in place. First, actual participation has to start at the grassroots, with all sections of the society being incorporated into decision-making on the ground. Second, in order to contribute to the decision-making process, citizens have to be knowledgeable in their approach. Third, consultation of various stakeholders has to incorporate all interests and social groups.

There is limited documented evidence on the actual process of trade policy making in India, especially regarding commitments at the international level. Observations point out the fact that trade policy making is a rather secretive process without much public consultation and is largely characterised by a top-down approach, leaving out the actual ground realities and needs.² This robs the decision making process of its democratic legitimacy and risks, thereby ignoring the real needs of the people.

While there is evidence that a consultation process on trade policy has been initiated in recent years, the involvement of actual agricultural producers in this process is unclear. Even where rural agricultural worker unions exist, their political interests seem to limit their capacities to organise themselves effectively at the grassroots level. Therefore, the ability of agricultural workers' groups to influence the policy making process remains limited.

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Development Challenges of the Indian Agriculture Sector

The survey results provide an insight into the key features of the agriculture sector — the effectiveness of government support schemes, decision-making processes and awareness levels of its main stakeholders. There exists a large population of scheduled castes (SC) and scheduled tribes (ST) in the sector who lack awareness and do not effectively participate in decision making.

Likewise, female stakeholders who generally engage in subsistence farming, form another marginalised group in decision making due to socio-cultural constraints. In most cases, the female representative at the *Gram Panchayat* level is a close relative of the erstwhile male Sarpanch, who now has been ruled out from contesting elections due to reservation for women. The *de facto* authority remains with the male members of the community through the erstwhile male Sarpanch.

In general, the cultivation of specific crops is related to family tradition rather than any economic consideration for specific cultivation. Taking up new crops could be encouraged by providing timely government support schemes. The selling options of the farmers being quite limited, they are highly vulnerable to price fluctuations and often don't receive fair prices. Major markets for selling their products include private agents and local market places. High transportation costs constitute the main reason for merely concentrating on local markets rather than the government regulated *mandis*.

Furthermore, the lack of marketing facilities for agricultural goods has been identified as the most important factor for the underdevelopment of the agriculture sector. Apart from informal neighbourhood marketing activities, barely any marketing activities exist. In addition, access to cold storage facilities, which is a vital precondition for receiving the right price for products, is not always available.

The majority of the farmers are unable to track the value chain of their products beyond the point of sale and even regard this information as irrelevant as they are not in a position to supply to far off markets. This attitude is further limiting the farmer's ability to look for the best price for his produce.

A majority of small scale farmers cannot meet their subsistence needs from agricultural incomes, whereas medium and large-scale farmers with irrigation facilities have sufficient income from their activities. Small scale farmers are often forced into distress selling at the time of harvest to repay their loans, resulting in low prices for their produce.

Apart from infrastructure related challenges, the need for overall human development to improve the living conditions of people working in the agriculture sector is evident.

Knowledge on Government Support for the Agriculture Sector

Overall awareness about existing government support programmes is fairly limited among farmers. This lack of knowledge constrains the use of available resources for grassroots development. Access to agricultural credit facilities is perceived to be especially difficult. Though a sizeable number of requests are made by farmers for government funds to carry out agricultural activities, few of them actually receive support.

This results in moneylenders and traders being the most significant credit source for farmers. The need to bribe officials to receive government loans implies that approaching moneylenders is often a better alternative.

The first access node in seeking government support are the *Gram Panchayat* members due to their growing social stature and favourable positions which enable them to distribute information in the rural framework. However, their actual awareness, capacity and knowledge about government programmes, globalisation and international trade issues often lack substance.

Due to geopolitical differences, the general perception in Rajasthan indicates a higher accessibility at the *Panchayat* level, while the competitive political environment in West Bengal leads to the perception that contact with *Panchayati Raj* members is necessary to ensure access to government funds.

On the flow of government support, a majority noted that the funds had increased or remained stable in recent years. Yet, despite a wide awareness about existing schemes, the intended benefits for the targeted population could not be achieved. Reasons for this are the low quality of information and the operation of vested interests at the local government level. Thus, a vicious circle of corruption, rendering the programmes ineffective, is set in motion. Many areas face a large underutilisation of available government funds for development.

This is attributable to low awareness, untimely release of government funds and in some cases competitive politics. In West Bengal, some local representatives would rather not take up the implementation of projects than deal with politically motivated allegations of nepotism.

According to stakeholders, the success of farming has been affected by a growing number of exogenous factors in recent years. The most important factors determining the vulnerability of farmers in the era of globalisation are perceived as considerable resources and time needed to recover from losses suffered due to price shocks or crop loss. Farmers from Rajasthan expressed higher confidence in government support mechanisms in times of need, while the perception in West Bengal reflects a lack of trust in government support.

Impact of the National Rural Employment Guarantee Scheme (NREGS)

The introduction of the National Rural Employment Guarantee Scheme (NREGS) has received overwhelming response in rural areas. The prospect of 100 days of guaranteed employment has a considerable 'safety net effect' for the rural poor. The scheme is the most visible and arguably the most successful development programme at present with visible positive effects not only as a development but also as an employment scheme. Though there are cases of corruption and misuse of funds, the benefits clearly outweigh the costs.

The scheme has considerable impact on the ground and high levels of transparency and accountability, especially in view of the general lack of awareness about development schemes prevailing at the *Gram Panchayat* level. The demand driven character of the scheme is among the factors contributing to the relative success of the NREGS compared to other government support schemes.

Yet, the challenge will be to carry the programme to the next level of transparency and break the ensuing nexus between local vested interests and officials in its implementation.

Apart from extending the programme's scope with regard to the limited number of developmental activities to be undertaken, the NREGS should not be allowed to become the most important source of employment in rural areas. Instead, it should supplement the main income of rural households.

While there is dissatisfaction with the number of working days received under the scheme, there is general satisfaction with the wage rates, which match or exceed the existing wage rates at the local level. The strategy to increase the purchasing power of the rural stakeholders may yield higher participation and success.

Table 1: Experience with NREGS

	Rajasthan	West Bengal
Applied/ has Job Card	146	317
Did not seek work	22	22
Doesn't know about NREGS	4	22
Less than 100 days work received	106	234
No work received	3	47
Less than stipulated wage	107	7
Satisfied with work received	67	32
Not satisfied with work received	44	112
Satisfied with wage received	61	36
Not satisfied with wage received	46	23

The Role of the Local Governance System

The *Gram Sabha* as the forum for articulating and signalling demands at the grassroots faces several obstacles in its working for the interest of the people. First, there is a high incidence of non-attendance in *Gram Sabha* meetings, attributable to inconvenience, lack of interest arising from past experiences and a lack of female participation.

Second, there is a considerable lack of understanding about the working system and institutional mechanisms. These findings imply that the idea of *Gram Sabha* as a mechanism to achieve common development goals has not reached the village level.

Despite the important role the *Gram Sabha* theoretically plays in articulating local demands to decision-making authorities, there are a number of inbuilt bottlenecks. These include: the lack of responsiveness to local needs due to predetermined budgetary allocations; the low democratic participation in defining development goals due to the prominent role of government officials in drawing up village plans; and the inadequate capacities of representatives to understand and execute complex government programmes.

These factors result in the limited success of development programmes. Moreover, the system has vested a high moral authority with government officials, while the local representatives at the *Gram Sabha* are rather sidelined, by comparison, in terms of financial authority. This results in a monitoring problem and potentially affects the ability of representatives to effectively use their local knowledge to meet developmental needs. As the allocation of funds is made according to the priorities set by government officials, the *Gram Panchayat* appears at times to be a toothless tiger.

Due to a lack of circulation of information and documentation of meetings, the decisions taken are not transparent. Required quorums for decision making are often not met and attendance registers are filled in after the actual meetings.

People as Policy Makers

The performance of the people's representatives is perceived to be poor on the whole, with a majority of the respondents stating that the representatives are corrupt and inept. With the success of development schemes at the local level largely depending on the performance of representatives, their limited capabilities to understand the complex structure of governance and execute their duties effectively renders successful implementation rather difficult. Furthermore, the lack of effective training

programmes for elected representatives implies that they cannot enhance their capacities.

There is a considerable lack of awareness about the availability of funds at the local level; even when awareness exists, the funds are deemed to be insufficient to meet the growing demands of the people and the required developmental activities.

On the issue of common people’s capabilities to effectively express their demands, it is noticeable that apart from mentioning personal needs, stakeholders pointed at the need to find ways of improving service delivery, strengthening existing avenues of consultation with people and introducing methods to ensure effective stakeholder participation in political decision making.

An assessment of perceptions on international trade reveals a grave lack of knowledge among rural stakeholders which is attributable mainly to ignorance or disinterest in the value chain of their produce. Both farmers and local political representatives misconceive domestic trade across state borders as international trade. Those aware of international trade and globalisation are fearful of the threat from imports of agricultural goods which they themselves produce.

Major obstacles to inclusive decision-making

A number of issues at the three levels of government can be identified which hamper the participation of agricultural stakeholders in the political decision making process and hamper utilisation of opportunities provided by the globalised economy:

- Government officials and people’s representatives either act hand in glove, often resulting in collusive corruption, or are in a confrontational mode, hampering information dissemination and signalling of the ground realities to higher decision making authorities. The capacity of representatives to execute duties under the *Panchayati Raj System* is limited, particularly with regard to complex issues of globalisation. This leads to a power transfer towards the bureaucracy and a lack of political participation at the local level.
- Despite the facilitation of female participation by reservation of seats in the *Panchayat System*, women are still not active decision-makers in the male-dominated environment of local governance. Likewise, people of weaker sections of the society such as Scheduled Caste and Scheduled Tribe members are hampered by a grave lack of awareness and knowledge about their rights and government support programmes.
- High incidence of corruption in rural areas increases the transaction costs for stakeholders and creates inefficiency. Government support often fails to reach its target due to asymmetries in information and multiple leakages of government funds, rendering support insufficient.

Box 2: Knowledge on International Trade		
	Rajasthan	West Bengal
Have Knowledge	37	38
Don't Know	240	316
Sell to Exporters	6	2
Don't Know if it goes abroad	8	10
Know someone else	3	6
Better price for exported items	16	4

- In the absence of government water supply canals, farmers have to purchase water to irrigate their crops. Hence, the availability of irrigation facilities has come to determine the profitability of agriculture, leaving small farmers dependent on costly water supply of private providers.
- Below Poverty Line (BPL) Cards are often misused by well-off farmers, limiting benefits of the targeted beneficiaries. Support programmes that have BPL cards as eligibility criteria invariably fail, as a fair distribution is impossible.
- There is near complete ignorance among the stakeholders at all levels about issues related to globalisation and its impact on agriculture.
- The lack of marketing and storage facilities increases farmers’ vulnerabilities in terms of selling small quantities to local traders at lower prices rather than to *mandis*. Due to the perception of future uncertainties, farmers tend to hold their produce and often end up conducting distress sales because of inefficient storage facilities.
- The asymmetry of awareness about government programmes due to inefficient information dissemination to local stakeholders and the complex signalling process to gather information limit effective participation at the grassroots and ultimately the success of these measures. Predominantly top-down decision making further hinders effective programme monitoring.
- There is a lack of stakeholder confidence in their representatives. This is compounded by a lack of accountability and extensive manipulation of local bodies, rendering the process ineffective. Most of the effective authority is still vested with government officials.

Conclusion

In order to ensure people’s engagement in trade policy-making in a socially inclusive manner and fulfill the necessary conditions for mainstreaming trade into India’s national development strategy, focussed efforts need to be undertaken.

These include first of all the education of different stakeholder groups to raise awareness about issues relating

to trade and globalisation. Further, improved information gathering mechanisms and coordination at the political and administrative level are needed to streamline the functioning of various government departments and ensure a smooth political signalling process originating at the grassroots.

There has to be an effective power shift from the government officials towards the people's representatives. Their capacities need to be enhanced through adequate training, enabling them to provide adequate support to people on government schemes. The quality of information on government support programmes is decisive in order to break the cycle of closed information and beneficiary systems in rural areas.

Effective mechanisms against the widespread system of corruption have to be established to build up the stakeholders' trust in government programmes, foster their participation in local governance and ensure the effective channelling of support. Therefore, bringing accountability

to the formulation of national development strategy is the primary requirement in mainstreaming trade.

With regard to the participation of women, empowering female governance to overcome their marginalisation matters more than mere reservation. Building women's capacities to overcome the problem of exclusion is required to increase female political participation. Likewise, other marginalised sections of the society need to become more aware about issues relating to globalisation that affect them and to get integrated into decision-making at the local level.

Unless the human development component is not adequately integrated into India's development strategy, trade policies run the risk of excluding the weakest sections of society from the potential benefits of trade liberalisation. Therefore, securing a high level of people's participation in the development process at the grassroots level is a vital precondition for mainstreaming trade into India's national development strategy.

Endnotes

- 1 Study conducted by CUTS Centre for International Trade, Economics and Environment (CUTS CITEE) in 2007 under the project 'Mainstreaming International trade into National Development Strategy (MINTDEV) – A Pilot Project in India and Bangladesh', funded by the Royal Norwegian Embassy
- 2 Priyadarshi, Shishir (2005). "Decision-Making Processes in India: The Case of the Agriculture Negotiations, Managing the Challenges of WTO Participation", Case Study 15, available at: http://www.wto.org/english/res_e/booksp_e/casestudies_e/case15_e.htm, accessed on 13/02/2008

This briefing paper is based on a research report by Pramod Dev, Policy Analyst, CUTS International and Arnab Ganguly, Research Associate, CUTS International, entitled "Is the Stage set for Mainstreaming Trade into National Development Strategy of India? Results of Field Survey in Two States", under the project entitled, "Mainstreaming International Trade into National Development Strategy: A Pilot Project in Bangladesh and India", funded by the Royal Norwegian Embassy. It has been compiled by Sonja Blasig of CUTS International.

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