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Macroeconomic Development and Globalisation – Impact on Poverty

Pronab Sen

A discussion of the impact of macroeconomic development and globalisation on poverty may appear like a change of gears from nutrition; but these factors can play a critical role as determinants of nutritional status in large segments of the population in India. Most often these effects are indirect and difficult to measure, and sometimes they can be unexpected.

Growth and Development: The Vicious Cycle

The link between growth and development can happen in one of two ways. The first is a vicious cycle; where the poor growth in human capabilities does not allow people to take advantage of the opportunities that are opened up by the growth process. When this happens, there are widening income disparities, and a divergence in tastes and preferences. As the disparity widens, the tastes that drive consumption behaviour in the upper income groups tend to move away very rapidly from what was traditionally the norm for the community. This can lead to a complete disjunction between the demands of those people who have income, on one hand, and the production capability of those who are at the bottom of the ladder, on the other. When this happens, there is marginalisation of a very large group of people. Globalisation can contribute very strongly to this process, mainly because affluent segments tend to acquire tastes and preferences, which are global and not local.

Growth and Development: The Virtuous Cycle

The virtuous cycle occurs when human capacities and the growth process go hand in hand. As growth occurs, it creates opportunities; the human capacities are developed so that new opportunities can be created for the next round of growth and development. Growth generates the resources for human development, and increasing human capabilities improves productivity, which will provide a push to further growth.

This is really what sustainable growth and development is all about. Earlier, economic growth and what used to be called as social development were seen as two very distinct compartments. Social development was considered to be something that nations invested in because they were conscious of their responsibilities to society, rather than as a factor that is integral to the growth of the society as a whole in all its dimensions. It is only relatively recently that the synergy between growth and development has been recognised and has become the focus of policy makers wanting to accelerate growth.

Millennium Development Goals and 10th Plan Goals

The relationship between growth and development got articulated, for the first time, in the Millennium Development Goals (MDGs) arising out of the Millennium Declaration of the United Nations in the year 2000 and the 10th

Five Year Plan in India (Table 1).

According to the MDGs and the 10th Plan, economic growth does not necessarily lead to human development. There has to be a conscious effort to focus on human development if the ultimate goal is sustainable growth and human well-being. There are, however, some aspects where these two may not get linked clearly; in this context it may be useful to consider each of the MDGs briefly (Table 1).

The very first MDG and 10th Plan Goal is reduction of extreme poverty and hunger. Economic growth need not necessarily translate into poverty reduction. Specific efforts need to be made for ensuring reduction in poverty. Education is another such example where the countries can have rapid economic growth but still may not have universal primary education. They have to plan for education separately. Gender equality and empowerment of women are now recognised as essential components of human development. Yet, most of the developed world registered very high growth rates at a time when gender equality was not even considered as an issue and empowerment was far from

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anybody's mind; even in recent history something similar happened in Japan and in Korea. Therefore, to say that growth itself will bring about gender equality and empowerment of women is simply not true. Countries really have to plan for it right from the beginning.

Over the years, there has been much discussion about economic status affecting child mortality. It is true that developed countries with high income have low infant and child mortality rates; less developed countries with low per capita income have higher child and infant mortality. However, detailed analysis suggests that there is no direct link between economic status and child mortality. Kerala is the classic example of a middle-income state in India with excellent track record in reducing infant mortality rate (IMR) and child mortality rate (CMR). States with high income, such as Punjab and Haryana, do not have a good track record in this regard. It is therefore essential to understand the factors responsible for high IMR and CMR in these States and undertake appropriate interventions. What has been said about child mortality and infant mortality applies with even greater force to maternal mortality. Maternal mortality is linked with access to good health care, and also with empowerment and the gen-

eral status of women in society.

Prevalence of communicable diseases is lower in higher income groups. This could be because of better nutrition and consequent higher resistance to infection. But there is ample evidence to show that unless good disease control programmes are planned and effectively implemented, health problems due to infections will not decline.

The environmental sustainability of various projects aimed at economic improvement is an aspect that nobody seemed concerned about for many years. Today, there is a serious effort to prevent deterioration in the environment, both within the country and globally. For instance, the efforts to achieve reduction in air pollution in Delhi by introducing compressed natural gas (CNG) as a fuel for vehicles are praiseworthy. But what has so far been neglected is the 'indoor pollution' that takes place in rural areas, taking a terrible toll on the health status of women and children.

Environmental sustainability actually goes far beyond these small examples. Nowadays, the concern that is being increasingly articulated by environmentalists is that as we make greater and greater demands upon the resources of Planet Earth, we have

to simultaneously ensure that these demands do not outstrip our planet's ability to handle the pollution, and that it can continue to regenerate. It is acknowledged that 'growth', as it has been historically experienced, has in fact steadily reduced the ability of the planet to regenerate. If this trend continues at an accelerated pace in an effort to achieve greater economic growth, we are going to get into trouble. Therefore, environmental sustainability will have to be addressed specifically, and preferably built into the development strategy.

Global Partnerships

It is now recognised that we are entering an era of global partnership in almost all aspects of growth and development. Pro-globalisation people say that solutions to the numerous problems that have been discussed earlier may be available within each nation state; all countries need global partnership to achieve the MDGs. By and large, most multilateral and bilateral agencies think in terms of monetary investment for solving problems. If money is all that is necessary for development, then economic growth should have done most of what we had described in previous paragraphs. It is important to recognise that generating human resources is perhaps even more important than generating money, and it is in this context that global partnerships may help.

Broadly, there are two major reasons for global partnerships: a) different countries have used different strategies to tackle problems of growth and development. These strategies could be applied to problems that are encountered in other countries; b) globalisation bestows the advantage of access to appropriate technology.

In the 1950s, 1960s and the early part of the 1970s, the real success in the areas of health and agriculture came from the development of newer technologies by public sector research institutions. Even today, most new technologies for such developments come almost exclusively from either public or publicly funded institutions: mainly the universities and public research institutes. The difference today is that these technologies are being increasingly 'privatised', though their development itself is not largely in the private sector. The availability of technology gets driven by market considerations, such as: what should

Millennium Development Goals	10th Plan Targets
1: Eradicate extreme poverty and hunger	Reduction of poverty ratio (proportion of people below poverty line) to 21% by 2007 and further to 11% by 2012
2: Achieve universal primary education	All children to be in school by 2003 and complete 5 years of schooling by 2007
3: Promote gender equality and empower women	Reduction of gender gaps in literacy and wage rates by 50% by 2006-07. As per the 2001 Census, the gender gap was 21.6 percentage points as against around 25 percentage points in 1991
4: Reduce child mortality	Reduction in Infant Mortality Rate (IMR) to 45 per 1,000 live births by 2007 and 28 by 2012
5: Improve maternal health	Reduction in the maternal mortality ratio from 4 in 1999-2000 to 2 in 2007 and 1 per 1,000 live births by 2012
6: Combat HIV/AIDS, malaria and other diseases	Reduction of HIV/AIDS through targeted intervention; 25% reduction in morbidity and mortality due to malaria by 2007 and 50% by 2010
7: Ensure environmental sustainability	Increase in forest cover to 25% by 2007 and 33% by 2012. Cleaning of their major polluted rivers by 2007 and other notified stretches by 2012. All villages to have sustained access to potable water by 2007
8: Develop a global partnership for development	India has been a signatory to almost all the major international agreements concerning development

be the price? To whom should it be sold? If you have to make it available to a large constituency, the price may have to be reduced so much that overall profitability may go down. It is obvious that if all these commercial calculations and micro-level economic considerations come into operation in decision making for critical technological areas, there is a great danger that appropriate technologies will not reach those who actually need them.

International government-to-government agreements on major technologies, which were particularly important for social and environmental sectors, are now being put on the back burner because of such considerations. When was the last time any of us heard of a major government-to-government agreement on the transfer of a particular technology in health or agriculture? The last one I heard of was in the early 1980s. Having said all this, ultimately it becomes the function of the State to try and integrate the various facets of development within an overall strategy, which would enable growth and development to synergistically enhance each other. It is essentially these kinds of considerations that went into the making of the 10th Plan.

Strategies for Poverty Reduction

Poverty is really the quintessence of deprivation. The broad strategy for poverty reduction focuses on four major components:

- Agricultural development
- Development of labour-intensive sectors
- Specific schemes for special target groups
- Regional targeting

Rural Development

The single most important intervention needed in our rural areas is to be able to move 60 per cent of our agricultural system away from the single crop that they are currently forced to grow because of the dependence on the vagaries of the monsoon. Just think of the kind of effect that can be achieved if the same farmer can go from a single crop to double crop. One may think there would be a doubling of income; but that is in fact not correct. The first crop grown by most of our farmers is a subsistence crop. That crop is what he produces to feed himself and his family. When he goes

for a second crop, he can and will start thinking beyond survival. He can then take a slightly greater level of risk and move to something which gives the family a better return without worrying about subsistence. So, normally, the second crop brings much higher returns to the family in economic terms than the first; and the only way to grow a second crop in rain-fed areas is through rainwater harvesting and watershed development.

There are very high expectations from watershed programmes, but these often cannot be fulfilled. The average watershed project in India can take anywhere between eight to 12 years to become fully functional, while a canal irrigation system can be completed in four to five years. Watersheds are also much more difficult to manage since they are decentralised by their very nature. They require considerable amount of effort by way of community mobilisation and imparting of requisite skills.

Rural Roads and Markets

Farmers are not going to get economic returns unless the additional produce can be moved out and marketed. Bihar and Jharkhand registered the highest level of agricultural productivity growth over the last decade. Although the minimum support price for wheat in India is Rs 620/quintal, at the *mandies* in Jharkhand the prevailing rate was only Rs 280/quintal because the additional produce could not be sent out due to poor rural reach. Jharkhand farmers concluded that every time productivity was increased, there was a marked price fall, so that their take-home amounts were actually lower in years of higher productivity. Thus developmental efforts in improving productivity need not automatically result in increased economic returns. The situation in Andhra Pradesh, where suicides among farmers have been hitting the headlines, also resulted because of prices crashing. As markets have not been developed, boom crops in cotton resulted in the prices crashing, and the farmers were unable to pay back the loans they had taken. Agricultural productivity can result in economic improvement of farmers only if there has been a concurrent development of marketing facilities.

Technology Diffusion

The complexity of technological diffusion has been underestimated in

the past. We were all conditioned by the Green Revolution. We had taken pride in the fact that we managed to get green revolution technology across to farmers and increased our cereal production enormously. Today the Punjab farmers are among the most productive in the world. When the green revolution technology was disseminated, there were very few new varieties of wheat and the total technology package consisted of four or five technical instructions. One person could actually learn these, remember and convey them to other farmers by word of mouth. Today we are looking at a much more complex range of technologies both in terms of products and processes. We are also looking at much more risky types of technologies. On the other hand, if we look at the backward regions of our country, the level of illiteracy continues to be high, especially among farmers. So we have to continue to rely on a word-of-mouth kind of an approach for dissemination. However, it is too much to expect that a single extension worker, who is normally a Bachelor's degree holder, will remember technologies of such complexity and manage to transmit them to the farmers fully. Therefore, only limited technologies get transferred.

It is possible that the technology getting transferred may not even be suitable for that particular area. There is a lot of evidence now from surveys that there is growing disillusionment among farmers with the technologies that are being transferred through the official system. The farmers feel that the technologies that are being given are not what they need for their areas. This, in turn, has resulted in many farmers moving away from these kinds of technologies. There are dissemination processes through other agents such as the person who sells the fertilizers or pesticides. The problem with this type of dissemination is that there may be commercial interests to sell inappropriate technologies to the farmers who lack the knowledge to assess what is appropriate for their specific needs.

Commercial afforestation has been promoted as a method for attaining two desirable goals, namely income generation and environmental protection. Commercial forestry can be extremely lucrative and it can also address environmental issues. Unfortunately, our legal system as far as

forestry is concerned is mired in contradictions. Current legal provisions were developed at a time when the rate of deforestation in India was extremely rapid and something had to be done to arrest that process. So we have Draconian laws in terms of protection of forests and trade in forestry products. Unfortunately, these laws are now becoming counter-productive. What we are seeing is a solution, which would have been appropriate if it were implemented 25-30 years ago. It will probably take another five to 10 years before we can move towards the correct solutions, because our mindsets are still 30 years old.

Non-agricultural Opportunities

We have to realise that agriculture is not going to be able to increase agricultural incomes to the desired extent within the amount of land available currently, even if all farmers go in for double cropping. The additional work opportunities produced by such double cropping will also be very limited; so we have to think of non-agricultural opportunities for employment generation and poverty alleviation. A fact that is seldom highlighted is that, for most people coming out of agricultural occupations, the first non-agricultural work opportunities are activities in the informal sector. The informal sector really forms one of the basic survival strategies for a very large percentage of our population. Not only does it provide income to people who are moving out of agriculture, it also provides supplementary income during off-season periods for people who continue to be engaged in agriculture as their primary occupation. There is a synergy between such supplementary activities and agricultural productivity, and this fact is insufficiently recognised.

Village and Cottage Industries

For a long time now, we have been paying mere lip service to village and cottage industries. We have tended to view it as something which represents either a heritage or an ideology. We have never viewed it as something which is able to provide not just livelihoods but diversity of products, and that which may not be available in a more structured production system. We have just started to grapple with this problem and a committee has been set up to give its recommendations.

Small-scale Industries

Small-scale industries have to be viewed as the cradles from which the large-scale industries develop. But for the small-scale industries to emerge from the cradle, we have to ensure not mere survival, which has been the focus so far; but also the creation of conditions to stimulate growth. As they grow in size, the space that had been taken up by each set of small-scale industries is vacated, so that the next generation of small-scale industries can be set up. So far, our entire approach to small-scale industries has been essentially to keep them as stunted as possible and keep them in those cradles forever. This strategy has two bad effects. The first is that the entrepreneurial skills that are embodied in small-scale industries are not allowed free rein; therefore, entrepreneurship gets stunted. More importantly, the entry-level opportunities for new small-scale industries are blocked by the incumbents, which means that the emergence of new entrepreneurial activity tends to get retarded.

Services Sector

The services sector has emerged as the largest sector in India right now. The question is: why is it that a huge consumer services sector has emerged in India, unlike in most other countries? The answer is mainly because the services sector is the only activity that a relatively unskilled person can enter. Entry into the services sector is, therefore, again a part of survival strategy of the poor. Even within the services sector, there are considerable variations in knowledge and skill requirements. For instance, tourism is a highly skilled occupation, not only for the people who occupy the upper echelons of the tourism industry but also for those in the lower echelons. When we look around this country, we will find something very strange happening: in our efforts to develop tourism and related sectors, innumerable institutes of hotel management and catering have been set up, but not a single institution to train a waiter or room cleaner. That is why there is a paucity of employment produced in this sector. We are not making the right choices about the mix of personnel needed. For instance, to run a kitchen, a restaurant does not employ many chefs but it does employ a number of persons who chop, cut, clean and assist one chef. In the

services sector, therefore, we have to look not only at the growth prospect of the sector, but also at the development aspect that is very specific to each locale and activity.

Construction

The world over, after agriculture, construction is the single largest generator of employment opportunities, especially for the unskilled or semi-skilled person. India, which urgently needs to generate employment for its growing young population, has the smallest share of construction in gross domestic product (GDP). In order to fulfill the housing needs of the growing population, we have to build between 12 and 20 million houses a year. But we have not been able to capitalise on this need. Construction is a sector which has been held back for all sorts of reasons. This may have been appropriate at one stage, but over the past 25 to 30 years the sector has been unnecessarily stifled. What is really needed is to reduce controls and open up possibilities for growth and development in this sector.

Social Infrastructure

Development of the social infrastructure is an essential prerequisite for continued economic growth. Elementary education is now a fundamental right. We have two main schemes Sarva Siksha Abhiyan (SSA) and the Mid-day Meal Programme (MDM) to ensure that people access primary education. MDM is not being looked upon as an intervention for improving the nutritional status of our children, but as a device to increase the school retention rates. It is possible that, along with the educational incentive, there may be some nutritional benefits. MDM can certainly play both the roles. If MDM is considered as a nutrition programme, nutritionists will have to evaluate the nutritional benefits accruing from this programme. If MDM is neither about school retention nor nutrition, but is merely a feeding programme, then there is a need to assess its impact on both education and nutrition. It is important that these issues are discussed and an appropriate consensus evolved.

National Rural Health Mission

The importance of health as a critical determinant of human development is well recognised. Morbidity rates are high in places with poor

access to essential health care, and this continues to be a major problem in India. The National Rural Health Mission is aimed at bridging the gap in access to essential health care. We all look forward to its effective implementation.

Anti-Poverty Programmes: Wage Employment

A variety of wage employment programmes for poverty alleviation such as the food for work programme and Swarnajayanti Grameen Rojgar Yojana are being replaced by the National Rural Employment Guarantee Programme. Currently this is the single major programme for poverty alleviation through wages for employment. We have a long history of over 30 years in implementation of major employment programmes, all of which are designed to create public assets with community management for sustained growth. There is confusion about the purpose of providing wage employment through a publicly funded programme. Obviously one purpose is poverty alleviation; considered in this context, it is a form of subsidy for the poor. But the moment one introduces the factor of creation of assets, two things happen. First, it restricts the nature of the work that can be provided because it has to fit into the category of public works. Historically, public works are taken up at the time of disasters as disaster relief efforts, for a very limited duration, may be a year or two. But we are talking about something going on for 30 years. A stocktaking of public assets created through wage employment programmes, would show that they do not add up to a whole lot. But because of the stipulation that assets have to be created, there may be adverse effects, such as exclusion of some of the most vulnerable segments. For example, women's participation in these programmes has been low and has been steadily going down, simply because the distance that they have to go to get the employment has constantly increased.

The impact of the second problem is a little more insidious, but can be as damaging. Under this programme, rural assets are to be created. There are normal government programmes for creating these assets, whether it is watersheds, rural roads, water management systems or minor irrigation work. These get discontinued in the

areas where employment guarantee programmes are running; because the wage employment programme is supposed to build precisely these facilities. Asset creation through the employment programme is actually very little, and the quality of work may be substandard compared to those being undertaken through the formal rural infrastructure programme. The net result is that the infrastructure does not get built under either programme. This results in an actual widening of the rural divide in one sense: good infrastructure is built in areas which do not need wage employment programmes, while in the areas where the wage employment programme is operating, little or no infrastructure comes up; thereby widening the rift not just between urban and rural areas, but within the rural areas themselves.

Anti-Poverty Programmes: Self-Employment

Wage employment programmes are mere palliatives. They address immediate deprivation and provide a safety net of sorts – which is an important end in itself. However, they are neither meant nor designed to lift people out of poverty on a sustained basis. This objective is better served by the self-employment programmes which seek to enhance the livelihood capacities of individuals through self-help groups. Providing organisational, technical and credit support to persons to become self-employed is an interesting experiment that we have borrowed from the Bangladeshi experience. So far, it has worked well in areas where it has been implemented properly. Apart from the economic growth aspect, there is huge social transformation that is taking place among self-employed women, which is perhaps much more important than even the economic benefits that the programme has brought. Unfortunately, this programme has been not extended to those parts of the country where it is most badly needed. Recently, however, commercial banks, including private sector banks, have started to recognise the potential of such micro-finance activities and have begun the process of extending the out-reach quite significantly.

Food Security and Safety Nets

India invested in a whole series of food supplementation programmes

covering a range of life-cycle vulnerabilities. We recognise that the poor have a food problem, the destitute have even larger problems, and it is obvious that children and mothers have nutritional problems; school children and the aged too are vulnerable to food insecurity. So we have separate schemes covering each of them. In addition, all the below poverty line (BPL) households get subsidised food grains through the public distribution system (PDS). The problem is that we have not, so far, done any systematic assessment of the distribution. We should ask the people whether they want the subsidised food; whether they have successfully accessed subsidised food. It is about time we reconsider this whole system and bring some kind of rationality to it.

As far as social safety nets are concerned, the principal safety net in India, given our socio-cultural milieu, is the family. Therefore, we have to strengthen the family support system and improve the ability of the family to provide for its dependents. We have to focus on the work force to make sure that the active members of the family earn enough to support the family as a whole. In other words, welfare may be replaced by workfare. But there are some reservations in answering the question: can we carry this approach to its logical conclusion?

Inter-regional Disparities

There are very substantial inter-regional variations in poverty and associated problems. We cannot afford to ignore these variations. There is no question that the geographical dimensions of poverty and deprivation are significant and need to be addressed effectively. Unfortunately, such efforts tend to run into the politics of comparison. There have been some efforts towards managing these problems, but more needs to be done.

Nutrition in Developmental Transition

Finally, we come to the issue of nutrition in developmental transition. The first question is: what effect can development and globalisation have on nutrition? The economist will react immediately stating that they will result in improving nutritional status because both widen the choice set, i.e. the range of products that can be accessed goes up significantly. There is a very fundamental principle in eco-