

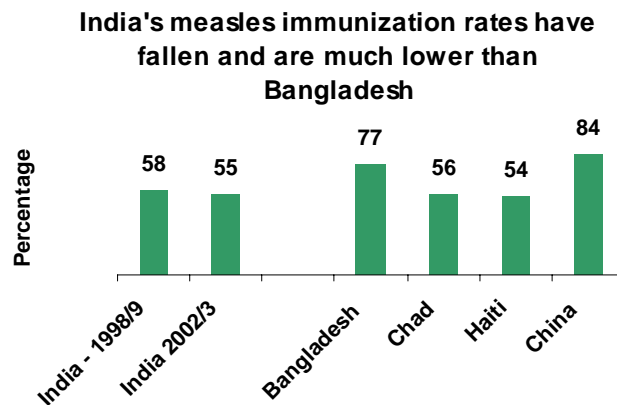
## India Development Policy Review 2006 -- Charts

India has been very successful on a number of fronts: the country has maintained electoral democracy, reduced absolute poverty by more than half, dramatically reduced illiteracy and vastly improved health conditions. Since the early 1990s, the country continues to be one of the fastest growing economies in the world. These achievements create new challenges:

**Core Public Services:** While India's economy is booming, its publicly provided core services such as healthcare, education, water, power and transport – appear to be deteriorating.

**Figure 1: Public Health Services:** Immunization against childhood diseases is a basic building block for public health, and India's full immunization rates have fallen over the past five years.

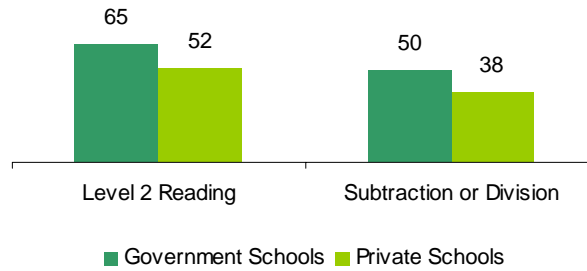
Bangladesh has reduced infant mortality rates much faster than India, and *with far less expenditure*. While researching the quality of medical care in the Delhi's public health services, the World Bank has found that a typical doctor at a Primary Health Center in Delhi is less competent than a counterpart in Tanzania, and substantially less so than one in Indonesia.



Source: For India, Reproductive and Child Health survey data, for other countries WDI 2006

**Figure 2. Elementary Education:** Even in areas where there has been a successful expansion in the public sector—such as elementary education—serious concerns about the quality of education and citizens' satisfaction with the service remain: almost 2/3<sup>rd</sup> of children in government primary schools cannot read a simple story, and half of them cannot solve simple numerical problems.

**% of Std (Grades) 2-5 children who can't read and solve numerical sums**



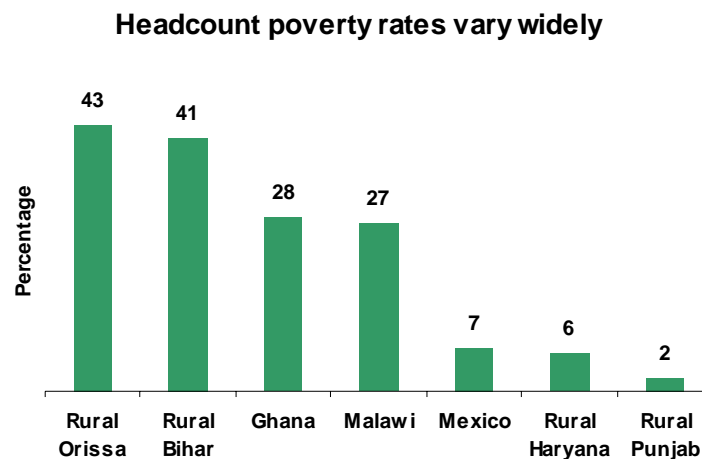
Source: ASER 2005

***Recommendation:*** Create effective systems of accountability to improve the delivery of core public services. This can be achieved in a variety of ways: internal reform of public sector agencies; providing citizens with regular, relevant and reliable information; strengthening local governments and decentralizing responsibilities; and expanding the role of non-state providers. Ultimately, however, implementation is everything.

### Lagging States, Sectors, and Segments of Population.

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**Figure 3. Lagging States:** While India's prosperous states have poverty rates that are comparable with the richer Latin American countries, India's poorest states are mired at Sub-Saharan African levels of poverty. And, the gap is growing.

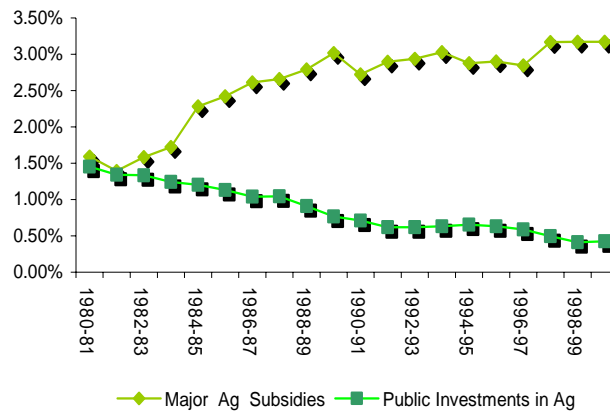


Source: For Indian states Deaton and Dreze (2002), for comparisons, author's calculations from World Bank Poverty Database.

**Recommendation:** Reform cumbersome regulatory procedures to attract more investment and upgrade rural infrastructure to enhance connectivity. Some states will need to improve law and order as a priority. Others will need to create a stable platform for natural resource investment that balances business interests with social concerns, while still others will need to improve provisions for rural finance.

**Figure 4. Lagging Sectors - Agriculture:** While the services sector booms, agricultural productivity is declining, constraining the growth of the rural economy. Average agricultural growth has decelerated from 3.2% in 1980-92, to 2.4% in 1992 -2003, falling to 1.3% over the past few years, against a tenth plan target of 4 percent a year. Agricultural subsidies tend to benefit only some farmers in a few states. And, agricultural markets are overregulated. This leads to high transaction costs, reduces competitiveness, and discourages private investments.

**Agricultural subsidies have gone up, productive investments down...**

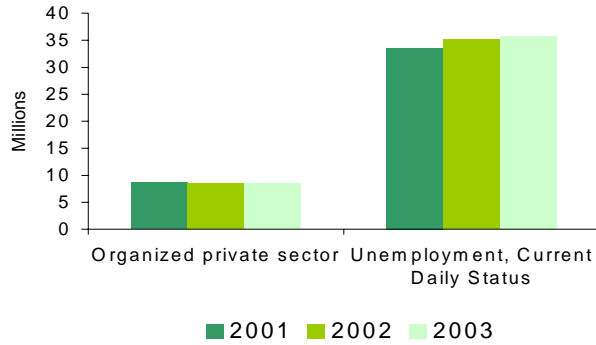


Notes: Agricultural subsidies include GOI foodgrain and fertilizer subsidies, state government power and irrigation subsidies.  
 Source: Ministry of Agriculture, Acharya and Jogi 2004.

**Recommendation:** *Fundamentally change agricultural policies to reverse the slide in agricultural productivity. This includes returning to investments in agricultural technology and infrastructure, and shifting the government's role from 'command and control' to one of a catalyst and facilitator in agricultural marketing, land policy and administration, agricultural research and extension, and watershed management.*

**Figure 5. Large segments of the population left behind.** Recent growth has generated very little formal sector employment. Existing labor regulations protect only a small elite of organized workers while hobbling the creation of jobs for millions unemployed. Of a total labor force of roughly 390 million in 2003, only 8 million were employed in organized private sector.

**For every worker employed in the organized private sector there were four unemployed**

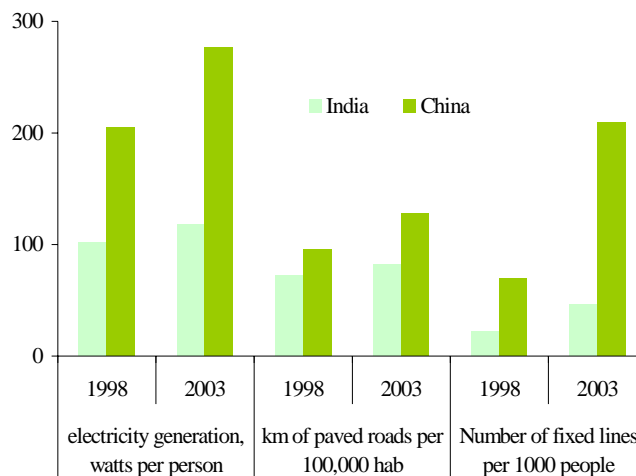


Source: GOI Planning Commission 2005, tables 8.1 and 8.2

**Recommendation:** Redesign labor regulations to attract more investment and create jobs for India's unemployed millions.

**Figure 6. Infrastructure Shortages.** India's infrastructure shortages hinder the growth of labor-intensive manufacturing industries that generate jobs for low and semi-skilled workers. While India had more power, roads, and telecom than China in 1980, China now has an enormous and growing advantage over India in infrastructure.

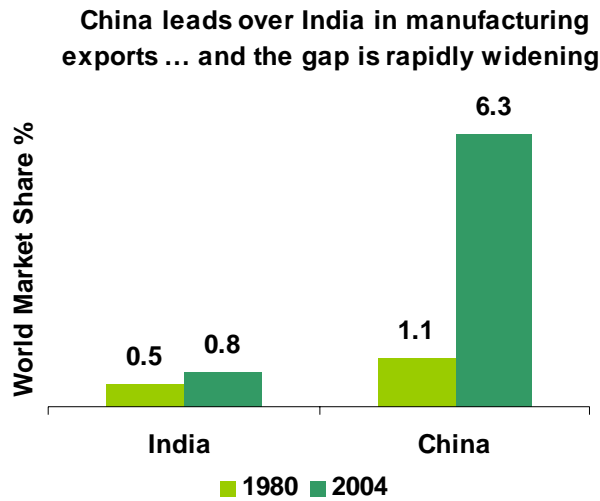
**China has an enormous—and growing—advantage in infrastructure**



Source: World Development Indicators

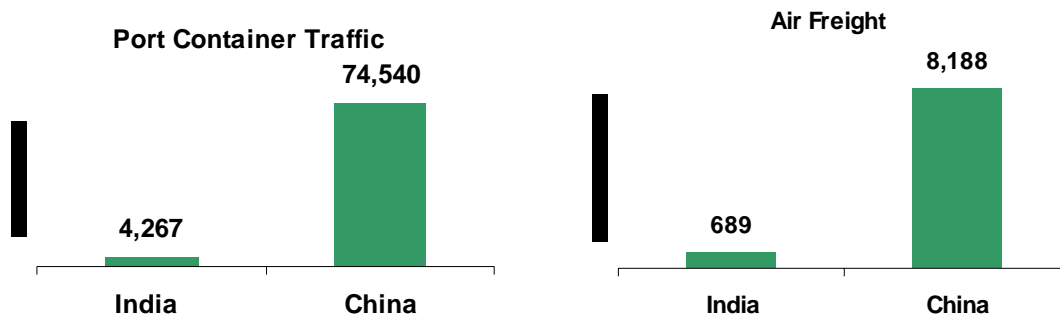
**Figure 7. Exports:** China's market share of manufacturing exports was twice India's in 1980. Now it is eight times greater and the quality of its export basket is substantially

higher. India's infrastructure-deficient environment has not been conducive to the growth of manufacturing exports that integrate into global value chains.



Source: Yusuf and Winters (2006)

**Figure 8. Transport modes for modern manufacturing:** China's lead over India in manufacturing exports is reflected in the enormous gap between the countries in the transport modes essential for modern manufacturing: China's freight container traffic is 18 times greater than India's, and its airfreight is 12 times the volume.



Source: WDI 2006

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**Recommendation:** Ensure that public money earmarked for existing projects is well spent. To bring in new investments, reduce the regulatory uncertainty of what the government will do over a period of time.