



SHARP *Results*

MARCH 2006

SHASTRI APPLIED RESEARCH PROJECT

ECONOMIC REFORM

Globalisation and the Poor: Sustaining Rural Livelihoods in India

RECOMMENDATIONS

Community

✓ The research has shown that the powerful forces of markets and globalisation have superseded many innovative experiments at the local level. The scope of manoeuvre seems to be very limited under the current context, not only for local communities but also for states within the country. In order for communities to become able to respond more effectively to the challenges of globalisation and reform, local institutions, for example, producer associations and, in particular, the panchayats, which in the past have tended to become undermined by special task institutions, would need to be strengthened at the local level, such as water-user groups or village forest committees. The strong NGO sector in Madhya Pradesh is likely to continue playing a major role in the building of local-level institutional capacities.

Programme Providers and Planners

✓ In the constraining general framework of globalisation and liberalisation, the challenge for the state of MP will be to provide effective services as well as incentives to render the powerful private sector more sensitive to the concerns and interests of the poor. Where such incentives cannot be created, intervention by the public sector and NGOs will continue to be crucial to protect the livelihoods of the poor who cannot benefit from globalisation and reform.

GLOBALISATION has become a matter of intense public debate and academic pursuit after the implementation of increased openness, liberalisation and reform policies worldwide. There seems little doubt now that as globalisation proceeds, socio-economic differences between, and within, countries and regions have not evened out. Rather, the process of globalisation may have accentuated inequalities and reshaped the categories of rich and poor.

India was comparatively weakly integrated into the global economy until the early 1990s. After economic reforms were initiated in 1991, the rural poor - a population of about 250 million - have very often been left out of policy focus despite the implementation of some measures that were expected to help mitigate any short-term negative impact of globalisation and liberalisation on poverty, inequality and unemployment. However, it has proven very difficult to reduce hardcore poverty and expand rural livelihoods in the present framework. It now appears necessary to put into place a more concentrated and integrated programme of pro-poor growth and development.

No Trickle Down

WHILE India's overall growth has remained high, regional disparities have also increased causing an incontrovertible impact on rural farm and non-farm livelihoods. The creation of new markets and opportunities in agriculture and other allied

sectors through the opening up of agriculture and scaling back of state subsidies seems not to have 'trickled down' to the rural poor as predicted by proponents of liberalisation.

Indeed there is evidence of deeper crisis in the agrarian and rural sector. Despite a larger body of studies now available, there are still significant gaps in information about the way India's structural reforms, in the context of increased globalisation, have affected small farm and off-farm production in rural areas



and how this varies under different agro-ecological conditions.

It was in this context that the project team undertook a collaborative research in Madhya Pradesh (MP), a high poverty state in India. The research focused on livelihoods in the state in the context of globalisation and reform. It compared commercial agriculture and strong market linkages with peripheral areas where rain-fed agriculture and forestry are the basis of the local economy. It sought to understand the extent to which civil society and governments at the national, provincial, district and local levels can mediate the impacts of globalisation through pub-

lic policy in order to improve rural livelihoods.

The study successfully achieved its expected outcomes and generated various new databases. Primary data on livelihood dynamics from the micro level were carefully triangulated with topical case studies as well as macro-level secondary data. The research covered a broad range of topics and sectors significant for rural livelihoods including labour, employment and migration; agriculture and environment (with a focus on soybean); forestry, non-timber forest products and medicinal plants; social sectors (with particular attention to basic education), and public-private partnerships in corporate marketing through self-help groups.

The empirical studies confirmed that the commonly made assertion that globalisation and liberalisation would lead to widening social and regional disparities. The in-depth analyses of particular sectors provided insights on the actual mechanisms of globalisation in peripheral contexts. These insights can form the basis of specific improvements in pro-poor policy-making, although the team recognised that fiscal and other pressures related to globalisation and reform constrain the capacity and manoeuvring space of state governments.

Processes Involved

THE study integrated the various datasets from the macro-, meso- and micro-levels. At the macro level, the team analysed secondary data on policy changes, income and fiscal trends, poverty and employment, as well as agriculture and industry. For the meso-level topical and institutional case studies, the team conducted dozens of focus group interviews in selected villages, as well as more than one hundred semi-structured interviews with villagers and supra-local stakeholders - policymakers, NGOs, corporate representatives and academics in Bhopal, Indore, Nagpur, Mumbai and Delhi.

At the micro level, the team combined qualitative and quantitative methods of data collection. Quantitative surveys were carried out

in 18 villages in the three districts of Panna, Betul and Sehore where more than 2,000 households participated in a general census and where 360 households gave invaluable information in a detailed survey. The qualitative studies involved in-depth individual and household interviews, mapping, life histories, participant observation and PRAs (participatory rural appraisals) in seven villages.

The project designs included women equally in the study as men. Indeed, women have in many cases been in the focus of the research as they often belong to the most vulnerable groups. Focus groups have been conducted on various topics with women-only groups. Further, the team made an effort to engage female researchers and devise gender-

exchange of information by e-mail and numerous personal visits.

The policy-related work has been based on the principle of generating policy recommendations jointly with policymakers to create a sense of ownership of the project among key decision-makers. So far, about 75 policymakers have been involved in this process. The final dissemination workshop in Bhopal engaged senior government officials, as well as development practitioners, with whom the findings and recommendations were shared and who gave detailed and useful feedback on the research.

Furthermore, team members have disseminated core findings of the project in various academic conferences in India, Canada, the USA



sensitive policy recommendations.

In order to coordinate the effort within a team of eight senior researchers, six junior researchers and two interns, various intra-team workshops on methodology, division of responsibilities, and reviews of progress were organised. The training of junior researchers was facilitated by conducting seminars and courses on qualitative methodology, globalisation and the regional context of MP.

The team has undertaken great efforts to involve policymakers (government officials as well as representatives of civil society) in a continuous and sustainable way. The inception workshop held in Bhopal helped raise the interest in the project among policymakers. This interest was sustained throughout the project phase through consultations and

and the UK. Several articles have been accepted for publication, and a research monograph is under preparation that will draw from the numerous field reports written during the course of the project.

Notable Findings

THE data from the various databases show a fairly consistent picture of the impacts of globalisation and economic reform on rural livelihoods in MP. The state has shown comparatively low post-reform rates of growth, which has widened the gap with the rest of India. Within MP, benefits from globalisation and economic reform have generally bypassed economically and socially weaker sections of society as well as the less developed regions of the state. In many cases, globalisation,

liberalisation and privatisation have also created new vulnerabilities.

The increased fiscal stress experienced by MP in the post-reform era led to a decline in growth rates of real expenditure on education and social services as well as of capital expenditure, especially in agriculture, despite some recent increases for the medium and major irrigation sector as well as total social services.

The case study on the soybean sector exemplifies the retreat of the state and the privatisation of agricultural extension and marketing, and showed that smallholders have not been able to benefit from the new private support systems that focus on economies of scale and opportunities from export markets.

Declining public investment partly explains sluggish agricultural growth rates. Indeed, agriculture has emerged as a major problem sector with a crisis of yields and output, despite the extension of higher value crops (especially soybean) into peripheral areas. Slow growth, partial mechanisation and availability of migrant labour have had negative impacts on local agricultural employment, which remains the mainstay of rural employment in MP.

Macro-level data suggest a comparatively weak employment diversification in the state. Moreover, the micro-level investigations clearly show that this diversification is caused by distress and is higher among socially deprived groups and less developed districts.

Relatively fast production and employment growth rates from a low base occurred in the construction and service sectors. In the manufacturing sector, however, the most significant change has been toward 'informalisation' and 'casualisation' of production and employment while a few industries experienced capital-intensive modernisation.

Lack of local opportunities, as well as improved rural infrastructure, has motivated poorer sections of society to seasonally migrate for farm and off-farm (primarily construction) work. An in-depth case study on migration identified various streams, forms and trends of migration from

CRISIS IN OILSEED

SUSTAINING and accelerating crop agriculture is a probable solution to improve rural livelihoods. The protection of the oilseed sector has been effective in cushioning some of the potential adverse consequences of the liberalisation.

But this sector too is facing some major challenges that need to be overcome through better public provisioning or incentives and regulation of the private sector, aiming to strengthen the sustainable use of water resources and water management; to extend research and extension services; to promote pro-poor markets, storage, post-harvest technology and quality standards; to package financial services (including both credit and agricultural insurance markets) and to encourage credit institutions (micro-credit, co-operatives, rural banks) that meet credit needs of small farmers. Accelerating employment and growth in the informal non-farm sector will also help as this sector has far more direct and stronger impact on employment than the organised manufacturing sector. So far, a lot of rural employment diversification has been led by distress, and what is not led by distress tends to require physical and human capital beyond the capabilities of the rural poor. Thrust areas that can be used for diversification of rural employment need to be identified.



rural MP. Apart from a livelihood option for poorer sections of society, increased seasonal migration has also led to wider socio-cultural changes, including the adoption of new tastes, which often puts pressure on limited cash incomes.

The other case studies also confirmed the general conclusions of the project: that the relatively better off have been able to better take advantage of globalisation, liberalisation and market integration. For instance, the deregulation of the forest sector, including the non-timber forest products, together with increased domestic and global market demand led to the unsustainable overexploitation of high-value medicinal plants without creating new self- or wage-employment opportunities. This only increased vulnerabilities for the traditional collectors (largely scheduled tribes and many women).



Further, the rapid increase of private primary and secondary schools seems to have been accompanied with quality improvements from which, however, economically and socially weaker sections of society do not benefit as they continue to depend on the public system. Finally, the use of self-help groups and local women for the marketing of branded products by multinational companies, while using developmental rhetoric, provided only a livelihood for a very few better-off women who have access to help from their male relatives.

Areas of Further Study

THE study worked on the principle that rigorous analysis of the impacts of globalisation and reform precedes the recommendation of particular policy responses. The project team was aware that there would be limitations on the degree to which policymakers can act on the project findings and recommendations. But at the same time it was felt that a better understanding of how globalisation and reform are impacting economically and socially weak sections of society could provide a

The Shastri Applied Research Project seeks to address urgent issues in social development and health, economic reform and environmental management. Canadian and Indian researchers are collaborating on 19 studies on various topics. SHARP is implemented by the Shastri Indo-Canadian Institute and funded by the Canadian International Development Agency.

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CHANGING LABOUR PATTERNS

THE team feels that the changing patterns of labour demand will impact on livelihoods in the years to come. But will increased incomes and migration help the rural poor escape from local bondage? Will they fall prey to new dependencies from outside labour contractors? There is often a seasonal replacing of local labour in the migration destination areas. With changing consumption patterns anticipated, there would be a need to reduce pressure to migrate, improve the conditions of migrants and enhance the bargaining power of local labour. Moreover, labour policy and state regulation will need to address the issue of core labour standards, in terms of working conditions and wages. The case study on soybean-related agricultural livelihoods identified a new globalised context of reduced tariffs and quotas for oilseed imports, increased exports of oil-

cakes, the privatisation of input and output markets, processing and extension, but continued output price support. The recent expansion of private extension that is linked to input and output markets (including exports), however, bypasses smallholders. The fallout has been a price squeeze - particularly for smaller operators - and environmental degradation and risks caused by intensification. Alternative institutions and regulations should be sought that could render the private sector more responsive to needs of smallholders. The role of the public sector will have to be strengthened in those areas where desirable private sector contribution is not forthcoming. In order to ensure environmental sustainability, concentrated investments and efforts in research and development of alternative cropping systems would need to be made.



starting point for pro-poor policies.

The utility of findings for the studied communities will require the mediation and contribution of NGOs working in the study areas. Many of these NGOs have been involved in this research. The team believes that the availability of committed civil servants and NGO leaders, a clear institutional framework (such as the panchayat system as defined by the Constitution) will facilitate the uptake of the proposed recommendation. However, the general framework of globalisation and liberalisation at present provides limited scope of action for the public sector.

The project team will continue to collaborate and we plan to publish a research monograph on the project. René Véron has secured three years of funding to carry out similar research in Kerala and West Bengal. Gary Fehr will further explore the issue of non-timber forest products and medicinal plants. It is also planned to continue the collaboration with selected NGOs in MP. The project team will also try again to inform government and non-governmental development agencies in Canada and elsewhere about the policy implications of the research findings. ■