Deconstructing India's Inclusive Development Agenda

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"Managing a complex economy is a difficult task, more so when it is a growing economy in a globalised world" – Pranab Mukerjee[1]

The UPA government has realised that managing an economy which is integrated with the global financial system is a difficult task in this post-financial crisis world. The focus of the government has quickly shifted from a high growth rate strategy to an inclusive strategy -- or has it? This paper debates if, how and why this policy shift has taken place. Is the repeated appearance (6 times) of the word 'inclusive' in the 2010-2011 budget speech of the Finance Minster (as opposed to not even once in the 2004-2005budget) merely symbolic or is there a political and economic traction in this direction? Is it because the government has rediscovered the socialist ethos enshrined in India's Constitution, or is it merely old rhetoric in new vocabulary? We test the flagship programmes of the UPA government to see if they pass the seven criteria for inclusiveness that are developed in this paper. The paper concludes that the inclusive growth focus is still in its infancy, though with certain well-intentioned schemes under way. The discourse on inclusiveness is loud, bordering on political rhetoric and has resulted in support for such schemes across the social and political spectrum. An unintended though welcome consequence of this has been the financial stimulation of the economy, which may well have contributed to India's sturdy response to the global financial crisis.

The Inclusive Agenda: An Introduction

"Inclusive growth does not mean everybody has to be protected" – Montek Singh Ahluwalia[2]

The economic transformations that India has undergone since the balance of payments crisis two decades ago have been rapid. In 1991, P.V. Narasimha Rao's government, with Manmohan Singh as the finance minister, was faced with managing foreign exchange reserves of $1.1 billion, just enough to finance about 3 months of imports. With India's credit rating dipping and left with no other alternative, the Congress led Government decided to apply for an IMF loan, offering assurances of structural reforms. The structural adjustment package or the 'New Economic Policy', announced in the annual budget of 1991 led to a policy shift that moved India toward a more liberal market driven growth path.

For some time now, a large part of India has been obsessed with the 'mantra' of double digit growth in GDP. However, data does not suggest that this growth has been trickling down – as vouched for -- to the bottom of the socio-economic pyramid at at an acceptable rate. Between 1993 and 2004, national accounts data has confirmed that per capita income has increased at about 4% per year, whereas household surveys showed dramatically less increase in consumption expenditure[3]. With poverty line drawn at an irrationally modest per capita income of $1.25 a day[4], India still has around 410 million living below this line. At a slightly more functional estimate of $2 a day,the below poverty figure swells to over $800 million people.

These are stark numbers. The strong rhetoric of liberalization, privatization, and globalization in the early nineties has now been replaced by the inclusive growth agenda of the UPA Government. This reformulation of ideology has not come about through introspection by the polity alone, but rather through a variety of external push and pull factors. They include: the

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[1] Budget speech, 2010

[2] Published: November 01, 2007 in India Knowledge@Wharton

[3] "The Growth Report: Strategies for Sustained Growth and Inclusive Development", The World Bank, 2008

[4] As prescribed by the World Bank at 2005-2005 prices.

massive increases in inequality (indicated by a marked rise in the 'gini coefficient'[5], especially for urban households), and the expansion of the base of the socio-economic pyramid. This has lead to populist rebuttals of a purely market based growth. As a result, the government announced 9 flagship schemes to promote inclusive growth in 2005. These schemes are at the core of the growth agenda, and the inclusiveness narrative has also been seen to positively influence the grass-roots election politics (in favour of the ruling party). The agenda of inclusive growth is prone to ex ante analysis in India. `Given that the flagship programmes of the UPA Government began in 2005 and are slated to end in 2012, it is not too early to discuss the outcomes within the framework of inclusivity.

Inclusive growth, being a loosely used term, especially in the political establishment, needs at the outset to be defined with greater precision.. This will help put three of the UPA's grandest flagship schemes under the inclusiveness scanner and see how they perform.

Defining Inclusive Growth**:**

"Inclusive growth" is common parlance in India today, but it is not a new concept. The ideal of growth with equity has been followed (at least in theory) since Independence, and is enshrined in our Constitution. While defining inclusive growth in the context of India, it would be important to start by stating that it refers to both the pace and pattern of growth[6]. If the pace of overall GDP growth is rapid, as has been the case in India over the last two decades, it is very important that the pattern of growth becomes sustainable.

There has been a steady rise in the population and income over the last two decades, as seen in the chart below:

	1990	2009
Population	0.85 billion	1.15 billion
Per Capita Income	USD 373.09	USD 1032

Source: India Data Labs, Observer Research Foundation

One of the frameworks for measuring the effectiveness of inclusive growth has been suggested by the eminent economist Subir Gokarn in a speech delivered at the Ahmedabad Management Association in 2007[7]. He has suggested that opportunity, capability, access and security – together are important in constructing the definition of inclusiveness. An economy where there are diverse, viable opportunities for income generation and skill enhancements is one which can ensure a broad based growth.

All the above parameters can be sensibly discussed only if we consider them over a certain time horizon. History is replete with examples of rapid economic expansion and income growth, followed by stagnancy or decline. What is also clear is that 'transfer schemes' cannot be sustainable in the long term if they do not assist in generating capacities and opportunities, and therefore any meaningful steps to promote income generation will have to be organic and productive. It is important to mention that income and employment generation are generally seen as the potential outcomes of an inclusive growth based strategy.

Productivity forms the backbone of any inclusive growth strategy. According to a recent report from the World Bank[8], "the inclusive growth approach takes a longer term perspective as the focus on productive employment rather than on direct income redistribution, as a means of increasing incomes [of] excluded groups". The report also makes the relevant and valid point that, in a country like India, the problem is not only unemployment, but also underemployment.

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[5] See: Topalova, Petia, " India: Is the Rising Tide Lifting All Boats?", IMF Working Paper, March 2008

[6] Growth Report: Strategies for Sustained Growth and Inclusive Development, Commission on Growth and Development, World Bank, 2008

[7] At the 8th Dr. R. L. Sanghvi AMA Endowment Lecture, December 6, 2007.

[8] " What is Inclusive Growth?", The World Bank, February 10th, 2008

Given below is a chart showing the breakdown of class wise consumption patterns (as an example of inequitable income distribution) in rural and urban areas[9] :

Social Group	2009 All India (Rural + Urban)		
	% Population	Household Size	Average MPCE
scheduled tribe	8.8	4.56	854.47
scheduled caste	20.29	4.57	887.44
other backward class	41.76	4.60	1064.50
others	29.14	4.38	1578.70
Total	**100**	**4.52**	**1159.80**

Source: India Data Labs, Observer Research Foundation

Breakdown of consumption patterns across religious groups (as an example of inequitable income distribution) in urban areas[10]:

Religion	Urban		
	2009-10		
	% Population	Household Size	Average MPCE
Hindu	78	4.00	1840.28
Muslim	**15.85**	5.00	1321.38
Christian	2.51	3.62	2162.70
Sikh	1.61	4.54	2319.56
Jain	0.82	4.85	3450.15
Buddhist	0.92	4.54	1472.57
Zoroastrian	0.05	2.70	4664.51
others	0.22	4.68	2092.04
Total	**100**	**4.14**	**1785.81**

[9] MPCE = Monthly Per Capita Consumption Expenditure
[10] MPCE = Monthly Per Capita Consumption Expenditure

Source: India data labs, Observer Research Foundation

There are of course a myriad other factors to be considered while talking about inclusiveness in a country like India. Deininger and Squire (1998) have shown that high asset inequality has significant deleterious effects on growth[11]. They conducted this study using land distribution as a proxy for asset inequality, and in India, there is a significant amount of inequity in land distribution itself. In India, landlords -- traditionally known as 'zamindars' -- form the farmer elite, who own huge tracts of land, while the majority of the agricultural populace, the common farmer, owns very little or no land at all to call his own[12].

The chart below illustrates the huge variations in average land holdings in key agriculturally developed states:

Average land owned (hectare) [2009-2010]		
	SECTOR	
STATE	RURAL	URBAN
PUNJAB	0.74	0.15
UTTAR PRADESH	0.59	0.17
MADHYA PRADESH	1.41	0.43
ANDHRA PRADESH	0.52	0.11
BIHAR	0.40	0.23
HARYANA	0.78	0.22
MAHARASTRA	0.98	0.16
WEST BENGAL	0.18	0.03

Source: India Data Labs, Observer Research Foundation

In 2009, the Planning Commission published a report by the Raghuram Rajan Committee on Financial Sector Reforms[13]. A part of this report primarily focuses on financial inclusion, which is another key step towards ensuring inclusiveness. The report states that the way to promote financial inclusion is through "expanding access to financial services, such as payment services, savings products, insurance products, and inflation protected products". The report also states that the aim of financial inclusion should not be to force credit on households by making banking services available, but rather, to enhance the poor households' creditworthiness. Additionally, the report makes a case for including urban areas apart from rural areas, to account for the heavy migration of the poor in India to towns and cities. If executed properly, greater financial inclusion can indeed lead to reduction of leakages in the system, besides ensuring greater accountability of and [financial} access to the rural and urban poor.

Increasing migration rates across urban and rural areas:

	Rural			**Urban**		
	male	**female**	**overall**	**male**	**female**	**overall**
1999-2000	6.9	42.6	24.4	25.7	41.8	33.4

11 Deininger, Klaus, and Squire, Lyn, "New Ways of Looking at Old Issues: Inequality and Growth", Journal of Development Economics, 1998

12 According to the "Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector" by the National Commission for Enterprises in the Unorganised Sector, 2007; 7.5 per cent and 15.4 per cent of the agricultural and non-agricultural workers are totally landless.

13 See: "A Hundred Small Steps: Report of the Committee on Financial Sector Reforms", Planning Commission, Government of India, 2009.

2007-08	5.4	47.7	26.1	25.9	45.6	35.4

Source: India Data Labs, Observer Research Foundation

In order to objectively judge the success or otherwise of the inclusive growth policy, we have to sieve it through all of the above definitions. This means that a good policy has to be broad based one impacting all sectors for long term sustainability. It has to benefit those at the bottom of the pyramid by making the poor vertically mobile by effectively enhancing their skill sets and knowledge base. This process will ensure growth in productive employment and not just in employment alone. Inclusiveness must focus on a large part of India's labour force in order to narrow down the base of the pyramid. And finally, the poor need to have access to properly regulated financial institutions. The following seven parameters must form the broad base of the criterion for inclusive growth, and any policy/programme must respond to these parameters[14]:

1. Opportunity: Is the scheme generating diverse opportunities and avenues of income generation to its people?
2. Capability: Is the scheme generating new ways and options for people to enhance their skill sets and knowledge base, in order to avail the opportunities with the system?
3. Access: Is the scheme building a bridge between capabilities and opportunities?
4. Security: Is long term job security being created by the scheme or are there chances of temporary or permanent loss of livelihood?
5. Equity: Is the scheme creating equal opportunity across gender, regions, religions and classes?
6. Financial Inclusion: Is the scheme providing better access and integration to the financial system in the country?
7. Financial Sustainability: Is the scheme sustainable in the long term, does it create a viable self sustaining mechanism or is it a 'transfer scheme'?

This paper will test three of the largest flagship schemes of the government through the above parameters for inclusive growth.

<u>NREGA (The Mahatma Gandhi National Rural Guarantee Act):</u>

The NREGA was enacted by the UPA Government on 05 August, 2005, as part of the flagship programmes to promote inclusive growth in the country. The Act ensures a hundred days of paid labour to any rural household wishing to perform mainly unskilled manual labour for a minimum wage. In order to objectively assess the inclusiveness of this act, we have to consider specific pivotal factors.

The Act during its formulation provisioned for Rs.100 as the minimum wage for a day's work. This was later revised to an inflation indexed wage, whereby the wage rate was linked to the Consumer Price Index for Agricultural Labourers. This has ensured that the wage rate is uniform across the country. As pointed out by a recent study,[15] this in turn has meant that in several states, NREGA wages will be lower than the wages stipulated by the Minimum Wages Act 1948 (MWA). Under the MWA, each state assigns its independent wage rates depending on the skill of labour involved and keeping in consideration basic human

[14] The first four criterion are taken from Subirn Gokarn's lecture at Dr. R. L. Sanghvi AMA Endowment Lecture, titled "Inclusive Growth in India: Dream or Reality?" delivered at the Ahmedabad Management Association, on December 6, 2007. The fifth criteria is common to many interpretations of inclusiveness, and the sixth and seventh criterion are inspired by parts of "A Hundred Small Steps: Report of the Committee on Financial Sector Reforms", Planning Commission, Government of India, 2009.

[15] Sankaran, Kamala, "NREGA Wages: Ensuring Decent Work", Economic and Political Weekly, February 12, 2011, Vol XLVI No. 7

necessities of food, clothes, housing, educational costs and social security. However, because of the non obstante clause in section 6(1), NREGA is not constrained by the provisions of the MWA, and the wage rates can be lower than those prescribed by it.

While it has proved beneficial in many areas, NREGA is forcing people to accept below - minimum wage in many states, which is fundamentally unconstitutional and can be interpreted as forced labour by the ILO's Declaration of Fundamental Principles and Rights at work, 1998. Inclusive policy certainly should not claim to be pro –poor and be exploitative at the same time. This contradiction shows that NREGA is not an inclusive policy at the very outset. Further, NREGA support level is now becoming a benchmark for unskilled workers with detrimental effects either way.

There are some inclusive measures within the Act. The Act mandates that a third of the workers should be women. There is also no restriction on how each household's quota of 100 days will be shared within the household (although in an ideal setting, the government would be able to guarantee 100 days of employment to the individual rather than the household[16]). This promotes equity between men and women, which is essential as equal opportunity is one of the tenets of inclusiveness.

In 2008, the government shifted from a policy of cash transfers to NREGA workers to bank payments. This was lauded as the world's largest ever financial inclusion scheme. By making payments through financial institutions like banks and post offices, the government has separated the agencies that implement the scheme and make payments. This has certainly reduced the scope for embezzlement provided that the system works according to plan. However, according to a survey conducted in 2010[17], the possibility of embezzlement through collusion still remains a concern due to pervasive ignorance among the workers.

However, looking at NREGA from a security perspective, it contributes positively in ensuring job security. The Arjun Sengupta Report (2007) on "Conditions of Work and Promotions of Livelihoods in the Unorganised Sector" also lauds the Act for this achievement, stating that it "makes a historic step towards reorganising and ensuring work as a right of the people".

An area of concern is that the Act does not focus on productive employment. Non-Skilled labour remains the focus of the NREGA, and this does not ensure the self sustainability and vertical upwards movement of the worker. The added dimension of a hundred days of job security further incentivises the worker not to add to his/her skill set. According to Article 43 of the Directive Principles of State Policy, to "promote cottage industries on an individual or co-operative basis" is a way to ensure decent quality of life for those working in the unorganised sector. However, with the guarantee of 100 days of paid work, we feel that NREGA undermines the productivity of the informal sector. This is because workers are increasingly tempted to gather the wages for 100 days of labour and take time off from their informal sector work. Hence, from a long term perspective, the Act does not contribute to inclusive growth in that it promotes wage inefficiencies, skill stagnation and underemployment.

(ED: Below, Acronym is not enough. The author must give the full name of the scheme at the beginning)

JNNURM:

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[16] Khera, Reetika, and Nayak, Nandani, "Women Workers and Perceptions of the National Rural Employment Guarantee Act", Economic and Political Weekly, October 24, 2009, Vol XLIV NO. 43

[17] Adhikari, Anindita, and Bhatia, Kartika, "NREGA Wage Payments: Can We Bank on the Banks?", Economic and Political Weekly, January 2, 2010, Vol XLV No. 1.

The Government of India estimates that urban population will increase to about 40% of the total population by 2021[18]. In order to counteract the effects of this vast increase in the urban centres' population, the JNNURM was launched as another one of the flagship programmes in 2005. The total allocated expenditure on the programme by the Centre is Rs.50,000 crores, with additional funding requests to the Government and the World Bank totalling up to Rs.100,000 crores. The programme has two submissions in order to fulfil the mandate of inclusiveness; Urban Infrastructure and Governance (UIG) and Basic-Services to the Urban Poor (BSUP).

The 74th Constitutional Amendment Act ushered in a new era of local urban governance with its enactment in 1992. The Act decentralised the powers of urban governance to democratically elected local governments. The JNNURM has stipulated that this Act be fully implemented under its mandate, since most state governments have remained reluctant to implement it[19]. At the outset JNNURM as an idea is hard to argue against, given the fast pace of urbanisation and therefore the need for big cities and towns to keep up with this rapid expansion both in terms of infrastructure and services.

The implementation of this scheme has not been quite as equitable as it should be. Of immediate concern is the marginalisation and dislocation of the poor in the cities covered under the JNNURM[20]. Recent studies have estimated that out of the 35 million slum dwellers living in the 63 'mission cities', only about 10 million will stand a chance at getting a formal housing unit[21]. The question also remains unanswered as to which urban poor should receive immediate benefits, and this is not clarified by the mission statement of the JNNURM. The ongoing beautification drives in cities along with the development of infrastructure such as mass rapid transit systems and bridges has lead to the dislocation of countless number of the poor. They suffer from inadequacy of supply in terms of housing and basic facilities. The eligibility criteria for the relocation of those dislocated as a result of the aforementioned development projects has not been clarified by the Indian government[22].

Delivery of urban services such as water supply, sanitation and sewerage and solid waste management are admissible under the UIG. However, there is an abysmal chasm between the stated targets and the service delivery. The Joint Monitoring Programme for Water Supply and Sanitation[23] (2010) has estimated that access to basic sanitation has stagnated at 54% and that about 18% of the urban population resorts to open defecation. A recent UN report even pointed out that more people have mobile phone subscriptions in India, than access to proper sanitation, with an estimate of only 336 million people out of more than a billion[24]. In the absence of documents such as title deeds and property tax bills, the urban poor living in slums are not eligible for the benefits of municipal services. The answers to question on inclusiveness remains elusive when confronted by figures which point to a lack of basic necessities which, no doubt, would have contributed towards poverty reduction under the BSUP.

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[18] According to the overview document (2005) of the Jawaharlal Nehru National Urban Renewal Mission; released by the Ministry of Urban Development and the Ministry of Urban Employment.

[19] Mehta, Meera, and Mehta, Dinesh, "A Glass Half Full? Urban Development (1992 to 2010)", Economic and Political Weekly, July 10, 2010, Vol XLV. No. 28

[20] Mahadevia, D., "NURM and the Poor in Globalising Mega Cities", Economic and Political Weekly, August 5, 2006, Vol. 41, No. 31.

[21] Joshi, Ravikant, "Exercising Rights for Basic Urban services", Policy Matters, January 2009.

[22] Kundu, Debolina and Samanta, Dibyendu,"Redefining the Inclusive Urban Agenda in India", Economic and Political Weekly, January 29, 2011, Vol. XLVI, No. 5.

[23] See: "Progress on Sanitation and Drinking Water", World Health Organization and UNICEF, 2010.

[24] The Telegraph, April 15, 2011.

According to a recent study, there are regional inequities inherent in the implementation of the JNNURM[25]. The study states "the coverage has been better in the developed states ranging from 50% to 80%, except Haryana and Punjab". It goes on to state that "the less developed states like Bihar, Chhattisgarh, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh have reported that about 60% to 65% of their population is yet to be covered under the scheme". Surely the objective of an inclusive agenda should be complimentary to a pro-poor and hence pro-underdeveloped states strategy and not the other way around.

Fiscal sustainability is deeply intertwined with the mandate of inclusive growth. Hence, it is also worth the while to question the fiscal sustainability of programmes such as JNNURM, which are more or less solely dependent on discretionary government expenditure. Developed countries the world over rely on the issuance of municipal bonds for financing urban infrastructure projects. In India, the municipal bond market is still in a relatively nascent stage and rarely tapped. Although the mandate of the JNNURM encourages urban local bodies to exploit the bond market and use public-private partnerships for financing projects, the actual implementation of such schemes has been fairly limited, with the last major bond issuance taking place in 2005[26]. There seems to have been a crowding out of commercial financing because of the large doses of discretionary expenditure, as stipulated by the JNNURM[27]. What is essential is that the expenditure takes place with a self sustaining model in mind - with particular emphasis on infrastructure that pays for itself.

(ED: Give full name of the scheme below.)

<u>NRHM:</u>

The NRHM was instituted to "provide effective healthcare to rural population throughout the country with special focus on 18 states which have weak public health indicators and/or weak infrastructure"[28]. It aimed to increase focus on public health in the country, which had an allocation of only 0.9% GDP in 1999. The main objectives of NRHM are to reduce infant mortality and maternal mortality rates following the Millennium Development Goals of the United Nations.

Percentage of population between ages 0-5:

	2004-05			**2009-10**		
age group	**rural**	**urban**	**total**	**rural**	**urban**	**total**
0-5	15.04	11.9	14.29	12.67	10.79	12.19

Source: India Data Labs, Observer Research Foundation

The recent Parliamentary Public Accounts Committee (PAC) report has termed the NRHM a "fiasco"[29]. One of the main concerns has been the shortage in the supply of health equipment and medicines. The PAC report has stated that health centres have been supplied with sub-standard and expired medicines. A recent survey has also indicated that there is an absence of

[25] Kundu, Debolina and Samanta, Dibyendu,"Redefining the Inclusive Urban Agenda in India", Economic and Political Weekly, January 29, 2011, Vol. XLVI, No. 5.

[26] The Ahmedabad Municipal Corporation has been leading the way in this regard. It issued the first municipal bond in Asia without a sovereign or state guarantee and with a credit rating. The last major issuance (Rs.1000 million) of municipal bonds in India was also carried out by it, in the year that the JNNURM was started (2005) for roads and water supply projects.

[27] Mehta, Meera and Mehta, Dinesh, "A Glass Half Full? Urban Development (19902 to 2010)", Economic and Political Weekly, July 10, 2010, Vol. XLV. No. 28.

[28] NRHM Mission Document, Government of India.

[29] Public Accounts Committee Report, Government of India, March, 2011.

toilets and medical waste disposal systems in many of the health care centres across the country[30]. It says that "a large number of sub-centres, primary health centres and community health centres are located in sub-standard environment such as garbage dumps, cattle sheds and stagnant water bodies and functioning in unhygienic conditions".

India's healthcare system's malaise is that its foundation itself has been weak right from the begining. The Bhore Committee in 1943 had suggested that the Indian healthcare system should be based on a top down, western approach, whereby an elaborate network of hospitals and health care centres should be made in order to provide free health care for all[31]. This model has been unsuccessful in India due to lack of funds and lack of will to provide the required funds. Besides, in terms of inclusiveness, it does not stand on a widely based pyramidal system.

The NRHM envisions a structure of "integrated comprehensive primary healthcare", and there have been various failed community participation objectives in order to try to execute this goal. The Accredited Social Health Activists (ASHA) scheme is one such strategy under the aegis of NRHM, which mandates that accredited, trained local healthcare activists should up the ante as far as community awareness and participation in public health is concerned. Predictably, the PAC report has trashed the scheme, maintaining that there is a severe lack of trained ASHAs equipped with drug kits. Furthermore, the ASHAs are not trained to carry out the complex social roles that they are supposed to fulfil.

As far as funding the healthcare system is concerned, once again it is evident that the NRHM is not representative of a self sustaining model. Although, under the NRHM, the government has upped its public health expenditure to 2-3% of the GDP, this is nowhere near enough to ensure an inclusive strategy. The private sector's share in healthcare stands at about 70%, but it is largely bypassed in NRHM. The lack of public private collaboration in the healthcare sector is indicative of a lack of integration between sectors. This is certainly not good for the inclusiveness agenda. The fact that healthcare centres are being used as "godowns for storage of food grains and cow dung" according to the PAC, is a reminder to the government that pumping in funds into a system without any external checks and balances is not the way to allocate money. The PAC has called for a re-appraisal and re-structuring of the NRHM and, given that the programme is supposed to reach its outlined objectives by 2012, this would prove to be too little, too late.

Conclusion:

The examination of the three schemes from the inclusive growth framework described, demonstrates that each of the schemes suffer from structural flaws. The following table highlights the individual appraisals of the three schemes:

Parameters/Programmes	**NREGA**	**JNNURM**	**NRHM**
Opportunity	✓	✓	X
Capability	X	✓	✓
Access	X	X	X
Security	✓	X	X
Equity	✓	X	✓
Financial Inclusion	✓	X	X
Financial Sustainability	X	X	X

[30] Gill, K., "A primary evaluation of service delivery under the National Rural Health Mission (NRHM)", Planning Commission of India, 2009.

[31] Ashtekar, Shyam, "The National Rural Health Mission: A Stocktaking", Economic and Political Weekly, September 2008.

Going by the definition for inclusiveness suggested in this paper, none of the flagship programmes are inclusive . But then, it is impossible for individual schemes to adhere to all parameters, and if this fact is taken into consideration the NREGA scores well. The fact that none of the programmes are financially sustainable is not surprising, and neither is the fact that none of them increase access by bridging the gap between capability and opportunity. The “demographic dividend” that is often talked about in India’s context – is in danger of being jeopardized by the lack of infrastructure and services, absence of skills, lack of access and financial exclusion. The lack of political will to lay a stake in the country’s long term growth is worrying.

As more and more people shift from villages to cities, India’s urban landscape is evolving rapidly. It is no longer the case that the political establishment can afford to overlook the aspirations of the marginalized urban poor. Given that there are a wide variety of problems that need to be addressed – ranging from inequity to basic infrastructure, the JNNURM can certainly not be considered a silver bullet. Furthermore, with malnutrition rates worse than Sub-Saharan Africa and the attempt to improve the country’s health profile having proved to be a ‘fiasco’, (along with poor performance on our inclusiveness matrix) no victories can be claimed by the NRHM either.

There is little doubt that the government expenditures on these programmes have resulted in huge fiscal transfers to the real economy. The government spending on infrastructure such as roads, transport, wages etc - certainly have helped India weather the recent global financial crisis by acting as a temporary fiscal stimulus. However it is important to emphasise that the assumption vis-à-vis temporary stimulus is that it can be reversed when it is no more needed. It is uncertain whether the government has a long term exit strategy that ensures that the flagship schemes have enough momentum to become self sustaining and productive – the two essentials of inclusive growth.