

Overview

This Report is about the most important economic sector in South Asia, agriculture, and its link to human Development. It is about the livelihoods of the vast majority of South Asians, and how those livelihoods are being wiped out by the winds of change. It is about women in South Asia, and their daily struggle for survival in the face of declining income and opportunities. It is about unfulfilled promises in rural development programmes that left most people wondering about the real commitment of development policy makers and practitioners. It is also about the stunning performance of South Asia's agriculture, and the lost opportunity of governments for failing to translate these productivity gains from Green Revolution into substantially reducing poverty in the region. And, above all, it is about the delink between South Asia's economic policies and its people's lives.

Strong economic growth is a prerequisite for human development in a country as it provides the required resources for improving the capability of people through better education, health and other social services, as well as improving income-earning opportunities. However, the benefits of economic growth have to be equitably distributed through progressive public policy initiatives to achieve maximum welfare gains for all people, irrespective of class, caste or gender. This was the message of the founder of the Centre, Mahbub ul Haq, and the focus of the Centre's annual human development reports. The theme of this year's Report, Agriculture and Human Development, is also based on the belief that an equitable growth of gross domestic product (GDP) is not only good for the economy it is also good for the country as a whole, as it improves the wellbeing of all people-poor and rich alike.

There is now strong evidence that the developing countries which have achieved sustained economic growth are generally the countries in which the rate of agricultural growth exceeded population growth. Even countries which followed an explicit development strategy based on industrialisation found very soon that without an expanding agriculture sector, the urban labour force would not be able to buy its food at reasonable prices, the supply of raw materials could not be assured for many industries, and the bulk of the population living in rural areas would not have the purchasing power to buy goods produced by the industrial sector. Rapid agricultural growth, on the other hand, can stimulate and thus sustain the pace of industrial growth, thus setting into motion a mutually reinforcing process of sustained economic growth.

However agricultural growth, even when stimulated by investment in irrigation, rural infrastructure and agricultural research, is constrained by the availability of land and water, by the pattern of land holdings and by the inevitable variation in climate and rainfall. There are also demand constraints because international markets are flooded by the subsidised agricultural exports from developed countries.

This analytical research of South Asia's agriculture has been based on a huge amount of quantitative data on production and productivity of agricultural outputs, and prices and use of inputs, as well as data on employment, wages and women's role in agriculture. Based on this statistical analysis, the Report presents with several messages:

The first message is that high levels of human development cannot be achieved if development priorities do not focus on the occupation of the majority of the people-farm and non-farm employment, and where they live-rural areas.

Second, policies for food security have focused on the welfare approach and not on the empowerment of people. Access to and availability of food must go hand in hand with the ability of people to purchase food.

Third, as South Asian agriculture is facing cultivable land constraints as well as negative consequences of over dependence on chemical inputs, future agricultural productivity increases must come from advancement of agricultural research, technology and extension services.

Fourth, small farms should be the centre of the revival of agriculture and rural development. The incentive system that is being provided to corporate farming in South Asia should not be at the expense of the vast majority of the rural populace.

Fifth, South Asian agricultural, marketing and trading systems have not been effective and efficient due to both internal constraints as well as inequitable external trading environment. Agriculture has always been the mainstay of South Asian economies. Although the region has undergone a major structural change during the past three decades, yet the agricultural sector still contributes around 25 per cent in the total GDP against 45 per cent in 1960. In general, agricultural growth in South Asia contributed positively towards overall economic development. Periods of high agricultural growth were more or less associated with high levels of overall economic growth. However, agricultural growth in South Asia has fueled a slower growth in overall economy compared to other regions. For instance, a 3 per cent growth in the agricultural sector between 1980-2000 led to a 5 per cent growth in the overall economy in South Asia, whereas the same 3 per cent agricultural growth led to 7 per cent GDP growth in East Asia and the Pacific region.

Within the overall framework of agriculture and human development, the Report raises several critical questions such as, what is the appropriate role of agriculture and rural development in poverty alleviation. Did the pattern of agricultural development in South Asia play such a role? If not, what policies and institutional failures were responsible for this? What was the impact of structural changes in agriculture on growth, employment and poverty reduction? The broad-based pattern of rural non-farm transformation spreads the benefits of agricultural growth widely across different groups in rural areas. Did it happen in South Asia? The role of government in this transformation is critical in realising its beneficial impact on poverty alleviation, job creation and quality of life in rural areas. Did the South Asian governments play this role efficiently and equitably? The analyses in ten chapters of this Report focus on these and other issues with a hope that the policy makers and development professionals rethink the real purpose of development.

During the decade of the 1990s, South Asia has achieved much progress in human development as well as in agricultural development. But this progress has neither been adequate nor equitable in lifting the region's half a billion people out of poverty

The Report starts with a ten-year review of human development indicators of the region. The analysis shows that the region has made encouraging progress in many areas. Sri Lanka and India are already in the medium category of human development. Pakistan and Bangladesh are poised to graduate to medium human development category. The overall Human Development Index (HDI) of South Asia improved substantially over the nineties. Despite this progress, the region still faces major challenges.

- ✦ Life expectancy, at 63 years, has registered an increase of 5 years during the past decade. Yet it is still among the lowest in the world, second only to Sub-Saharan Africa.
- ✦ The infant mortality rates have declined by 29 percentage points. But at the same time 69 infants out of 1000 still die before reaching the age of five.
- ✦ The rates of child immunisation have improved substantially over the nineties, but at the same time the region is host to the highest proportion of underweight, stunted and wasted children in the entire world.
- ✦ Nearly half of the children under the age of five are chronically malnourished in South Asia.
- ✦ Adult literacy rate has increased from 44 per cent in 1990 to 54 per cent in 1999. But a large number of children, estimated to be 39 million, lack even primary education.
- ✦ Two-thirds of the illiterate adults are women, and two-thirds of the out-of-school children are girls. This is despite the fact that the enrolment rates of girls are going up faster than those for boys across the region.

This disparity in the performance of various indicators reiterates the message of earlier reports on Human Development in South Asia that the real challenge of human development lies here in South Asia.

High agricultural productivity, achieved during the Green Revolution period, could not be sustained during the 1980s and 1990s due to rising population, declining resource bases, increasing environmental costs, and inadequate policy attention to these issues.

If agricultural growth is sufficiently high and is broad-based, it generates income and employment which are a necessary condition to improve human wellbeing in rural areas. A historical analysis of South Asia's agricultural development shows the performance of the agricultural sector over five decades and the policy failures that contributed to its lack of sustainability.

The first decade of the independent South Asia did not witness any major improvement in the agricultural sector. The balance between increasing food needs and food supply had remained precarious. Food aid was used to import food from the donor countries whenever there was a shortfall in domestic food production. Expectations in independent South Asia of achieving prosperity for the majority of its population were high. The task of rehabilitation and development of the economies was, however, a big challenge to the policy-makers. The colonial rule over a prolonged period had resulted in the persistence of extreme poverty in the region.

The second decade, however, saw the advent of the Green Revolution. As a result of the introduction of high yielding varieties of wheat and rice, the Malthusian spectre of rapid population growth, famine and widespread death from starvation was averted in South Asia. The expansion in irrigation, impressive technological advances and policies and institutions to support agriculture had led to a sustained overall increase in agricultural production.

The decade of the 1980s saw the successful diversification of agriculture from cereal to cash crops, like cotton and oilseeds and also to horticulture and livestock. While this diversification helped to sustain the overall rate of agricultural growth in the 1980s and 1990s, the constraints arising from the patterns of land ownership and unequal access to irrigation water began to surface.

Today, South Asia is faced with major challenges. Negative social and environmental effects of the Green Revolution have erased some of the positive gains. The high rate of population growth has exceeded the population supporting capacity of the ecological system in the Sub-continent. Life support systems of land, water, forests and bio-diversity are threatened by the nature of agricultural change experienced in the region. There is an increasing feminisation of poverty and gender inequity in rural South Asia. Employment growth in agriculture has been slow relative to the increase in the rural labour force. The non-farm economy has not been able to pull out labour from agriculture significantly. Labour productivity has stagnated and income gains per capita have been small.

The paradox in South Asia lies in the fact that despite achieving a higher rate of agricultural growth than the rate of population growth, the region has failed to translate this achievement into reduced poverty.

The Report presents a comparative analysis of agricultural performance in South Asia, over a period of twenty years, from 1980 to 1999, showing the relative contribution to productivity of land, labour, irrigation, fertiliser, tractor use and of research and extension. However, the decade of the nineties is characterised by rising poverty in South Asia. The number of people living on less than \$1 a day increased from 495 million in 1990 to over 530 million at the end of the decade. An analysis of the sources of productivity in South Asia shows that the expansion of agricultural land has contributed very little to output growth. In fact during 1990-99, growth in agricultural land was negative in some countries such as India and Bangladesh. Rising population has exerted tremendous pressure on cultivable land. The decline in cultivable land has led most countries in South Asia to increase their cropping intensity.

Trends in irrigated area show that most of the South Asian countries have only less than half of their agricultural area covered by irrigation. Pakistan is the only exception to this trend: by 1999, it had a remarkable 82 per cent of its agricultural area covered by irrigation. The cost of new irrigation is high in many countries including India and Sri Lanka, giving rise to negative growth in irrigated area.

The agricultural labour force increased faster than agricultural land. As a result, land to labour ratios declined in all countries during the past two decades. Land and labour productivity increased consistently throughout South Asia but the growth in labour productivity was lower than the growth in land productivity particularly during the last two decades. This low growth of labour productivity, compared to land productivity, indicates increasing mechanisation of South Asian agriculture. The total factor productivity in South Asian countries has generally been low compared to other Asian economies. The most important factor contributing to this is the low investment in agricultural research and extension. Most governments in South Asia, except India, have been investing very little in agricultural research.

The objectives and designs of rural development programmes have varied with changing political interests rather than a genuine desire to uplift the poor and create an enriching rural life.

A common feature of the inadequacy of the rural development efforts in South Asia is the low level and inappropriate composition of public expenditures for rural development. These diminishing levels of expenditures are often misguided and misdirected. To promote growth these need to be reoriented and, in many cases, raised. A related problem, often inadequately researched, is the leakage of a large part of the funds allocated for these programmes to elite groups who manage to capture most of the benefits intended for the poor and the rural population at large. Several decades of deteriorating levels and composition of public expenditure and a high degree of political intervention in the rural sector have contributed to the erosion of the foundation for more rapid and sustained rural growth and poverty reduction.

However, the success of rural development programs in South Asia has depended not only on how much the state has spent on them, but also on the way they have been organised and the extent to which the intended beneficiaries have been involved in them, both in design and implementation. Participatory approaches to rural development, where they have been adopted, have generally shown promising results in targeting the poor and in providing sustainable livelihoods to them. Experiences in water (irrigation and drinking water), watershed and forestry management, micro-credit, rural infrastructure and income-generating activities in Bangladesh, India, Nepal, Pakistan and Sri Lanka are producing encouraging results in empowering communities and increasing household incomes. Government and nongovernmental organisations need to play only facilitating roles leaving the communities to take over and manage activities that are essential for rural revival.

Currently, over 500 million South Asians live in absolute poverty, which is 40 per cent of the world's poor, and over 300 million are chronically malnourished. This despite the fact that the largest South Asian countries have got food stocks that are way above their requirements.

In the past 35 years, the achievement of higher agricultural growth rate to accomplish the objective of food self-sufficiency and higher return to farmers remained the major policy goals of the South Asian countries. The Green Revolution encouraged the Asian countries to undertake massive investments in the agriculture sector and pursue policies to accelerate the growth process. Consequently, South Asian countries were able to avoid famines and reduce the severity of poverty in the world's most densely populated region. The Green Revolution also helped improve general living standards of a large proportion of the people in Asian countries. This performance came about within the controlled market structures and with significant government interventions. Yet about one third of the population of the region is still below the poverty line.

Over the years, one of the major concerns of South Asian governments has been to ensure food security to their huge numbers of low-income and no-income people. Through state trading enterprises, governments purchased food from producers and distributed throughout the country by using public food distribution channels. But this policy to provide cheap food by subsidising mostly the urban consumers has had an adverse impact on food production, income of farmers and on rural areas in general.

Poverty in South Asia is mostly a rural phenomenon. In India, three out of every four poor persons live in rural areas. Most governments have been addressing the problem of food security through various welfare programmes, including food stamps. These programmes are not only inefficient, they are very costly as they tend to encourage corrupt practices. They are also not a long-term solution to food security or alleviation of poverty.

The majority of the 70 per cent South Asians who live in rural areas are women. They are responsible for producing food, yet they have the least access to means of production, and receive the lowest wages, if at all.

Women are the invisible and unrecognised backbone of South Asian agriculture. The significance of their role can be gauged not only by high female participation rates in farm and non-farm activities in rural areas, but also by their intimate connection to rural customs, traditions and values. Women in South Asia keep the rural way of life alive, and they also suffer for it. Cases of discrimination and violence against women in South Asia's rural areas, dominated by a feudal mindset, continue despite the work of thousands of committed women's groups throughout the region.

The number of rural women living in absolute poverty has risen during the 1990s. Women farmers and agricultural workers know least about how to improve the productivity of land with modern inputs and technology as extension services are available mostly to men. Migration by rural men to urban areas, or overseas, to escape poverty has increased the number of women who have to carry the full burden of earning income and managing households for their families in rural areas and in agriculture, but there have been very few government strategies and facilities to enable women to manage these responsibilities.

The Report analyses the role of women in South Asian agriculture. The enormity of this role can simply be underscored by the fact that out of total employed population involved in agriculture, the proportion of women exceeds that of men. The involvement of women in agriculture is spread over a large number of activities. In fact they perform more tasks than men. They are involved in all operations pertaining to livestock management, crop production such as sowing, transplanting, weeding, harvesting as well as post-harvest operations such as threshing, winnowing, drying, grinding, husking and storage. Unlike their male counterparts, their tasks are not only limited to agricultural activities: they are also responsible for fetching water and fuel, cooking, cleaning, maintaining house and taking care of the young and old. It has been estimated that the daily workload of a working class village woman in South Asia stretches from 12 to 16 hours.

The participation of women in agriculture is consistently expanding in South Asia. All countries in the region have experienced an increase in their female labour force participation in agriculture which is higher than the rate of increase of male labour force. Two main reasons are contributing to this trend: Firstly, rising poverty has led an increasing number of men from rural areas to out-migrate to urban areas and abroad in search of better income-earning opportunities; and secondly, some countries in South Asia have seen an increase in smaller land holdings. When land holdings are small, hiring additional workers becomes inefficient and female family members are forced to fulfill labour requirements.

Despite the critical contribution of women in agriculture, their presence is largely invisible in national accounting systems with few statistics reflecting their actual contribution to agricultural output and rural employment. Female employment rates, recorded by official sources, are usually low because of arbitrary definitions of employment. If definitions are revised and all activities for which women are traditionally responsible are incorporated, a huge difference in activity rates can be noticed. Not only does the contribution of women in agriculture go unnoticed, but also they are denied access to resources like income, land and credit. Women are generally paid lower wages than those paid to men. In Pakistan for instance, women in rural areas are paid 59 per cent of what men make. Their counterparts in Bangladesh fare better, earning 71 per cent of men's wages.

Women are also generally denied the right to own land. The infringement -of rights takes on various dimensions, such as legal, social and monetary. For instance, women may have the legal right to own land but they may forego their rights to prevent themselves from being expelled from their brothers' homes or being made the object of social reproach. Even when they do own land, they may not have actual control over it. The lack of effective land ownership prevents women from gaining access to a number of agricultural support services, for example, credit, input supplies and agricultural extension services.

The emerging multilateral trading system under VITO has far-reaching implications for food security in South Asia. To provide better access to food, it is necessary to increase the income of poor people.

Better access to food depends on well functioning markets and distribution networks, better infrastructure, adequate income and honest public servants. If agricultural markets are liberalised, the ability of countries to obtain affordable food supplies will depend on the countries' ability to produce or purchase food. This ability, in turn, will depend on their competitiveness in world markets for nonagricultural as well as agricultural products.

The process of trade liberalisation in most of the South Asian economies has begun only recently. After independence, India pursued inward-oriented policies. Pakistan in the beginning followed outward-oriented policies based on private sector development, but later on changed this policy. By the 1970s, almost all the countries in the region were pursuing inward oriented policies, giving more authority to state in determining development priorities. But by the late 1980s, most South Asian countries started pursuing outward-oriented policies, and during the 1990s, almost all South Asian countries have become more integrated to the world trading system than ever before.

The conclusion of the Uruguay Round of trade negotiations heralded a new era of liberal trade. Trade liberalisation is based on the general assumption that it would help improve the income levels of the developing countries in various ways. The main driving force behind that would be the comparative advantage in production of various agricultural commodities enjoyed by the developing countries. Consequently, there would be greater demand for their exports resulting in an expansion of output of tradable commodities leading to higher income. And this process will have positive impact on food security. Moreover, trade would also result in higher foreign investments in developing countries and transfer of better technologies. However, there are reservations about whether the developing countries would be able to benefit from free trade in the face of large subsidies by developed countries, and even if there are potential benefits then which group within these countries would share those benefits. It is being argued that the major beneficiary would be the commercial farms, while the South Asian agricultural system is dominated by small subsistence farmers who often lack necessary resources to produce exportable surpluses.

The South Asian economies have witnessed sharp structural changes over the years. Although the share of agriculture in GDP has declined in all the countries of the region, the agriculture sector continues to play a dominant role in the economy in view of the huge number of people that are dependent on this sector for income and employment, and the importance of agricultural produce both for food security as well as providing raw materials for industries and exports. However, the composition of exports has gradually shifted from primary commodities towards manufactured goods.

To benefit from globalisation, it is essential on the part of the developing countries to improve the management capacity of the farming community, invest in physical infrastructure and communication, improve agricultural marketing. And, above all, provide support to traditional subsistence farmers to ensure food security of the poor, which has always been a stated objective of agricultural policies in the region.

In conclusion, agricultural sector in South Asia suffers from some critical problems that are common across the region. These are:

- ✚ Investment in agriculture by both public and private sectors is inadequate and is not helping agriculture to play an important role in the overall growth of the economy
- ✚ Despite the critical importance of research and extension in raising agricultural productivity, the resources allocated for this purpose are inadequate and are being used inefficiently. The broken link between research and extension system is one of the major problems in raising agricultural productivity.
- ✚ Lack of legal framework to define property rights and delay in land reforms has adversely affected the access of small farmers to credit.

- ✦ Agricultural prices, indirect and implicit taxation, and subsidy policies have led to inefficient resource allocations.
- ✦ The small farmer and landless poor have suffered because of either wrong policies or the inequitable application of good policies.
- ✦ The irrigation practices are very old and lack efficient use and maintenance.
- ✦ The Green Revolution created second generation problems due to the excessive use of farm machinery and pesticides. Substantial amount of arable land was lost due to increasing environmental degradation including soil erosion, water-logging and salinity.
- ✦ The macroeconomic framework in many South Asian countries is not favourable to agriculture and has not therefore led to more rapid socioeconomic development.

Major reforms in these areas need to be taken up in order to build a foundation of sustainable agriculture and human development in the region.