



# **India: Common Country Assessment 2017**

India:  
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2017

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Executive Summary

This Common Country Assessment (CCA) for India feeds into the preparation by the UN Country Team of the United Nations Development Assistance Framework (UNDAF) covering the period 2017-2022. The objectives of the CCA are to identify key priorities, entry points and opportunities for UN system's normative and programmatic activities in India, building firmly on the comparative advantages of the United Nations. It has been guided by an analytical methodology (causal analysis) and the four integrated programming principles, with **“Leaving no one behind”** at the core of UNDAF as the overarching principle that unifies UN’s programming and advocacy efforts across all UN agendas, which is underpinned by other programming principles of **“Human rights, gender equality and women’s empowerment”**, **“Sustainability and resilience”** and **“Accountability”**.

The CCA has been undertaken against the backdrop of the 2030 Agenda for Sustainable Development, India’s drastically reduced dependence on foreign aid, and the country’s emergence as a major player in shaping global economic and geopolitical outcomes as well as extending support to other developing countries.

Summarised below is a snapshot of India’s achievements, imminent challenges and factors that have held back rapid development.

India’s achievements:

- 1) India’s economic growth record over the past two decades has been enviable.
  - India’s GDP grew by 7.4 per cent in 2015 – 9<sup>th</sup> fastest growing nation of the world.
  - India’s contribution to global economic growth (in PPP terms), which averaged 8.3 per cent between 2001-07 jumped to 14.4 per cent by 2014 – exceeding that of the United State by 2.7 percentage points.
  - India’s share in world GDP has increased from an average of 4.8 per cent during 2001-07 to 7 per cent during 2015
  - After demonetization, the IMF has, in its World Economic Outlook (January 2017), trimmed down the growth forecast for 2016–17 by one percentage point and for the next fiscal year by 0.4 percentage point
- 2) Income poverty has declined at an increasingly rapid pace over the past two decades
  - The pace of India’s poverty reduction has been faster than for the developing world.
  - Between 1994-2012, the proportion of poor below the poverty line fell from 45 per cent to 22 per cent. And close to 133 million people were lifted out of poverty.
  - 85 per cent of poverty reduction can be attributed to the expansion of the tertiary and secondary sectors, and not the primary sector
  - Urban growth has been responsible for about 80 per cent of the total fall in poverty. Cities, more than specific sectors, have driven poverty reduction.
- 3) The emergence of an expanding middle class represents growing upward mobility

- More people have moved out of poverty than the other way around - 15 per cent who were poor in 2005 were no longer poor by 2012. Only 7 per cent fell into it.
  - The middle class today constitutes close to a third of India's population – the second largest segment of the population by 2012.
- 4) India has recorded progress along many non-income dimensions of well-being.
  - 5) India has built up a good response mechanism to natural disasters and emergencies.
  - 6) India has taken progressive measures to meet international human rights obligations
  - 7) Several laws have been passed in recent years, especially over the past decade, to protect children, women and disadvantaged groups.

### Key challenges

- 1) India does not match BRICS and many South Asian nations on key human development indicators.
- 2) Deprivations along different dimensions of human life remain widespread.
  - Despite the impressive reductions, income poverty remains extensive. In 2012, one in five Indians (close to 270 million Indians) was classified as being 'poor.'
  - Poverty is concentrated in rural areas and in low-income states.
  - Children's nutritional status remains a matter of concern.
- 3) Large gaps remain in the fulfillment of reproductive health and rights of adolescents.
- 4) Inequalities persist and some, like income disparities, have widened.
- 5) The sustainability of agriculture and livelihoods of small farmers remains threatened
- 6) Unplanned urbanization continues to have adverse impacts.
- 7) India faces threats to its security - both internal and regional.
- 8) Prosperity has not been shared equitably.
  - Among the prominent groups left behind are Dalits, orphans, manual scavengers, migrants, both internal and international, and displaced populations, minorities, people with disability, refugees and asylum-seekers, Scheduled Tribes, the elderly, the transgender community, and other marginalised groups such as fishing communities, sex workers, Persons living with HIV/AIDS, and street children.

### Why has India performed below its potential?

- 1) Economic growth has not been accompanied by a sufficient growth in employment
  - Not enough decent jobs have been created leaving many workers in low productivity and informal employment
  - There is a shortage of skilled labour
  - Women's participation in the workforce remains low
- 2) Children do not enjoy universal access to quality education; learning levels remain low
- 3) Access to health is far from universal
- 4) State capacity remains constrained
  - Fiscal capacity of the Indian state remains low: (i) The tax-to-GDP ratio remains low. (ii) A large proportion of benefits and subsidies continues to go to the well-off, not to the most deserving; (iii) As a result, public spending on the social sectors, especially on health and education, has stagnated for over a decade.
  - Capacity of human resources limited especially at lower levels of governance
  - Monitoring and evaluation capacity are weak
- 5) State policies and programmes have not simultaneously addressed multiple inequalities and intersecting deprivations.

- 6) The state and its planning processes have not paid sufficient attention to the heterogeneity of India's populations, geographies and contexts.

Looking ahead, the UNDAF for 2017-22 will be dovetailed with India's national priorities, and make the most of the comparative advantage of the United Nations. The long-term vision for India has been best articulated by Prime Minister Modi as expanding freedoms and assuring a life of dignity to all Indians as guaranteed in the Constitution of India. Niti Aayog's discussion paper titled "Creating a movement for change" recommends the following eight themes as priorities for India:

- 1) Accelerate growth with inclusion and equity
- 2) Employment generation strategies
- 3) Health and education – universal access and quality
- 4) Good governance: challenges and opportunities
- 5) Farmer-centric issues in agriculture and allied sectors
- 6) Swachh Bharat and Ganga rejuvenation
- 7) Energy conservation and efficiency
- 8) Innovative budgeting and effective implementation

Government of India has also, since May 2014, announced a number of schemes and programmes to accelerate progress in these priority areas.

In identifying priority areas for engagement, the United Nations Country Team has drawn on its experience of working in India as well as its comparative advantages. Over the years, the United Nations has established its reputation as a trusted partner of government, private sector and civil society. It brings considerable global knowledge and experience to inform policy and programmes, and support governments in areas where national capacities are deficient. The UN has also been supporting governments in areas that are not traditional development priorities such as ending violence against women and children, and drawing attention to fulfilling the rights of the transgender community, people with disability, and other disadvantaged groups.

The United Nations in India is committed to working with Government of India for achieving the country's national vision and meeting its priorities. Accordingly, seven priority areas have been identified for joint actions by the UN, civil society and other development partners. These are:

- 1) Poverty, Inclusion and Urbanisation
- 2) Inclusion, quality education and employability
- 3) Good health, nutrition, water and sanitation
- 4) Increased skilling, entrepreneurship, and job creation
- 5) Stronger food security systems and agricultural productivity, and increased farm incomes
- 6) Effective natural resource management, community resilience, and increased energy efficiency
- 7) Greater inclusion, respect, and justice for women and young people
- 8) South South Cooperation



## 1. Introduction

This Common Country Assessment for India feeds into the preparation, by the UN Country Team, of the United Nations Development Assistance Framework (UNDAF) covering the period 2017-2022. It provides an analysis of the political, economic and social situation in the country, as well as an updated assessment of India's development challenges. The CCA serves as the analytical basis for the UNCT as well as national counterparts to jointly identify development priority areas of UNCT support and engagement.

The overall objectives of the CCA are to identify key priorities, entry points and opportunities for the UN system's normative and programmatic activities in India, building on the comparative advantages of the United Nations.

The CCA has been guided by an analytical methodology (causal analysis) and It has been guided by an analytical methodology (causal analysis) and the four integrated programming principles, with **"Leaving no one behind"** at the core of UNDAF as the overarching principle that unifies UN's programming and advocacy efforts across all UN agendas, which is underpinned by other programming principles of **"Human rights, gender equality and women's empowerment"**, **"Sustainability and resilience"** and **"Accountability"**. The analysis draws on several background reports and documents relating to the performance of the Indian economy that identify factors promoting as well as constraining human development. Using an equity lens, the CCA also identifies the special challenges faced by vulnerable and disadvantaged groups – in keeping with the spirit of Agenda 2030 - leave no one behind.

This CCA has benefitted from in-depth analysis conducted by different UN agencies. Detailed inputs were received from eight Inter-Agency Resource Groups constituted to identify the key problems, challenges and opportunities in different areas: quality education and lifelong learning; energy, environment and resilience; good health, well-being and sanitation; gender equality; inequality, exclusion and poverty; ending hunger and rural poverty; job creation, skilling and entrepreneurship; and youth. In addition, extensive consultations and engagement with a wide cross-section of partners and users of the CCA (namely, the Union and state Governments, UNCT, other development partners and civil society organizations) has informed both the analysis and conclusions of the CCA<sup>1</sup>. National counterparts, from the central and selected sub-national levels have contributed to both data analysis and validation of the CCA findings and conclusions.

Finally, the CCA is grounded in the human development framework which judges progress of societies not in terms of an expansion of incomes, but by the extent to which policies have contributed to an enhancement of capabilities, a widening of choices, an expansion of freedoms, and an assurance of human rights. Central to such an analytical framework are the notions of equity, social justice, non-discrimination and human dignity.

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<sup>1</sup> See Annex 1 for details of consultations and the list of participants.

## 2. The global context

This CCA has been undertaken against the backdrop the 2030 Agenda for Sustainable Development, India's drastically reduced dependence on foreign aid, and India's emergence as a major player in shaping global economic and geopolitical outcomes as well as extending support to other developing countries.

The CCA recognizes the significance of the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development adopted by world leaders at the UN Summit in September 2015. Building on the success of the Millennium Development Goals (MDGs), the SDGs call for further actions to end all forms of poverty, and promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and addresses a range of social needs including education, health, food security, nutrition and sustainable agriculture, social protection, and job opportunities, while tackling climate change and environmental protection. India's Prime Minister Narendra Modi, in his Statement at the Sustainable Development Summit New York, on September 25, 2015 strongly affirmed India's commitment to Agenda 2030 and the SDGs. He drew attention to the fact that we live in 'an age of unprecedented prosperity, but also unspeakable deprivation around the world' and pointed out that 'much of India's development agenda is mirrored in the Sustainable Development Goals.' He invoked hope for everyone's wellbeing with a few lines from India's ancient texts: "May all be happy, may all be healthy, may all see welfare, may no one have any sorrow."

India is rapidly emerging as an important player in shaping global economic and geopolitical outcomes. For instance, India has made an impressive contribution to global economic growth. Between 2001-07, India's contribution to global economic growth (in PPP terms) averaged around 8.3 per cent. By 2014, it had jumped up to 14.4 per cent. During the 1990s, India's contribution to the global GDP growth in PPP terms was, on average, lower than that of the United States by around 16 percentage points. In 2013 and 2014, India's contribution to global growth exceeded that of the United States by 2.2 and 2.7 percentage points respectively. Furthermore, India's share in world GDP has been rising. India's share in world GDP has increased from an average of 4.8 per cent during 2001-07 to 6.1 per cent between 2008-13 to an average of 7.0 per cent during 2014 and 2015 in current PPP terms (IMF)<sup>2</sup>.

India has been particularly active in the area of sustainable development and climate change. The year 2015 witnessed two landmark international events. The historic climate change agreement under the United Nations Framework Convention on Climate Change (UNFCCC) was adopted by 195 nations in Paris in December 2015, with the aim of keeping the rise in global temperature well below 2°C, which will set the world towards a low carbon, resilient and sustainable future. Domestically, India has taken up many initiatives on climate change and sustainable development. India has submitted ambitious targets in its Intended Nationally Determined Contribution (INDC) in the renewable energy sector, mainly from solar and wind energy. With a potential of more than 100 GW, the aim is to achieve a target of 60 GW of wind power as well as 100 GW of solar power installed capacity by 2022. The country's goal is to reduce overall emission intensity and improve energy efficiency of its economy over

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<sup>2</sup> Economic Survey 2016 p.3 accessed at <http://indiabudget.nic.in/es2015-16/echapvol2-01.pdf>

time, at the same time protecting the vulnerable sectors and segments of the economy and society. India has also taken the initiative of setting up an International Solar Alliance (ISA), an alliance of 121 solar-resource-rich countries, lying fully or partially between the Tropic of Cancer and Tropic of Capricorn. This alliance was jointly launched by the Prime Minister of India and President of France on 30 November 2015 at Paris, on the sidelines of the 21st Conference of Parties to the UNFCCC. The Paris declaration on the ISA states that the countries share the collective ambition to undertake innovative and concerted efforts for reducing the cost of finance and technology for immediate deployment of competitive solar generation and to pave the way for future solar generation, storage and good technologies for countries' individual needs.

A major component of India's domestic actions against climate change is the National Action Plan on Climate Change (NAPCC). The Prime Minister's Council on Climate Change (PMCCC) has directed the missions under the NAPCC to enhance their ambition in respect of adaptation, mitigation and capacity building and reprioritize them, besides recommending the setting up of some new missions in addition to the existing eight. Twenty eight states and 5 union territories have formulated State Action Plans on Climate Change (SAPCC) which focus on adaptation with mitigation as co-benefit in sectors such as water, agriculture, tourism, forestry, transport, habitat and energy. The SAPCCs also seek to create institutional capacities and implement sectoral activities to address climate change.

A National Adaptation Fund for Climate Change (NAFCC) has been established with a budget provision of 1350 crore for the year 2015-2016 and 2016-2017. It is meant to assist in meeting the cost of national- and state-level adaptation measures in areas that are particularly vulnerable to the adverse effects of climate change.

India's dependence on foreign aid has also come down dramatically over the past 25 years. During the mid-1980s, India was among the world's largest recipient of foreign aid. Today, India's dependence on foreign aid is negligible – less than 0.3 per cent of its GDP.<sup>3</sup> India today accepts bilateral development assistance only from five countries – Germany, Japan, Russia, United Kingdom and the United States. Over the past decade, India has also emerged as a significant donor of aid. Though most of the aid from India flows to its neighbouring countries (notably Afghanistan, Bangladesh and Bhutan), an increasing proportion is now being directed to African nations.<sup>4</sup> Around 60 per cent of Indian ODA is spent on capacity building of civil servants and public sector managers of recipient nations; around 30 per cent is offered as soft loans to foreign governments to enable them to purchase Indian equipment or services such as trucks, ground-water pumps, medicines and railway equipment; and the remaining 10 per cent is allocated to project-related costs abroad, such as feasibility studies or technical expertise from India.

India's development assistance takes one of three forms: grant assistance, lines of credit (LOCs) and capacity-building. India has been a donor for 40 years providing grants, loans, training and scholarships, supporting capacity building in 161 countries through its Technical and Economic Cooperation and Special Commonwealth Assistance for Africa which have an annual budget of USD 1.3 billion. India has an assistance budget higher than the aid budgets

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<sup>3</sup> Need to check latest figure

<sup>4</sup> Needs to be checked and beefed up appropriately

of four of the 23 DAC countries. It is a major contributor to the SAARC Development Fund and IBSA Trust Fund and is already UNDP's largest core donor from the global south. India extends LOCs to neighbors including the announcement more recently of \$1 billion credit line to mineral-rich Mongolia. India's foreign aid agency, Development Partnership Administration, housed within the Ministry of External Affairs was launched in 2012 and is expected to spend up to \$15 billion over the next 5 years.

India is the fourth largest contributor to the Commonwealth budget and the fifth largest contributor to the Commonwealth Fund for Technical Cooperation. Extension of Lines of Credit (LoC) on concessional terms to other developing countries has been an important instrument of India's external development assistance. Over the years, 226 LoCs aggregating US\$ 16,898.23 million have been allocated to different countries in various sectors, of which US\$ 8,705.21 million have been allocated for African countries and US\$ 8,193.02 million for non-African countries.

India has offered to Africa US\$ 10 billion in Lines of Credit for a host of development projects and a grant assistance of \$600 million. This grant includes an India-Africa Development Fund of \$100 million and an India-Africa Health Fund of \$10 million. It also includes 50,000 scholarships in India and support the expansion of the Pan Africa E-Network and institutions of skilling, training and learning across Africa.

At the same time, India has to recognize that the achievement of the Sustainable Development Goals (SDGs) globally will depend upon its performance in a number of key areas of human development. For instance, according to most recent data:

- India is home to a quarter of the undernourished population in the world.
- One in four people living in extreme poverty across the world is an Indian
- Around 1.2 million children died of preventable causes in India before celebrating their fifth birthday – the largest numbers in the world
- India accounts for the maximum number of maternal deaths in the world — 17 per cent or nearly 50,000 of the 2.89 lakh women who died as a result of complications due to pregnancy or childbearing in 2013.
- India has the highest number of people practicing open defecation, around 490 million people, or nearly a third of the population

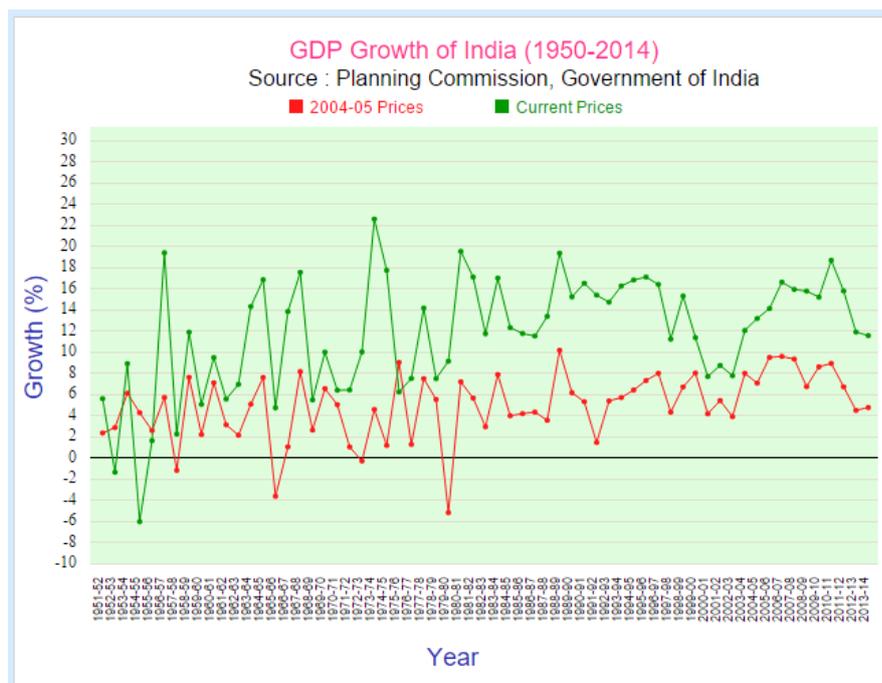
The situation analysis that follows takes note of these global developments and recognizes India's growing influence in the world as well as its responsibility to ensure progress towards the SDGs.

### **3. India – a situation analysis**

Over the past two decades, India has recorded impressive achievements in expanding incomes, reducing poverty, and enhancing capabilities of its people. The growing prosperity, however, has not benefited all communities equally. Some groups and regions have benefited more than others. This section documents India's growth and poverty reduction story. It also identifies key challenges faced by the country and some of the factors that have limited the growth of sustainable human development.

## A snapshot of achievements

**India's economic growth record over the past two decades has been enviable.** According to the IMF, between 1980 and 2014, India's GDP grew, on average by 6.3 per cent, reaching an all-time high of 10.3 per cent in 2010 and registering a record low of 1.06 per cent in 1991. In 2014, India was 14<sup>th</sup> fastest growing nation in the world with a GDP growth rate of 7.2 per cent. The most recent IMF World Economic Outlook (April-2016), estimated India's GDP growth rate in 2015 at 7.4 per cent. And India was the ninth fastest growing nation of the world.



After 1991, India's per capita income grew nearly two-and-a-half times faster in real terms compared to the preceding three-and-a-half decades. In particular, India's per capita income has recorded a healthy growth rate over the past two years since 2014 (Table 1).

Item	Level in 2015-16 (in Rs )		Growth at constant prices (in per cent)			
	Current prices	Constant prices	2012-13	2013-14	2014-15	2015-16
Per capita GDP	105,746	88,472	4.3	5.3	5.9	6.2
Per capita NNI	93,231	77,431	3.5	4.9	5.8	6.2

Source: CSO – excerpted from Economic Survey 2016

There has also been a dramatic structural transformation of the Indian economy over this period. India's economic growth is now increasingly driven by the secondary and the tertiary sectors, and not by agriculture as it used to be in the past. Between 2005-2012, agriculture's contribution to GDP declined from 19 to 14 per cent, the contribution of services increased from 53 to 57 percent, and the share of manufacturing remained relatively stable.

Recent analysis by the World Bank further reveals that structural transformation has resulted in greater integration and stronger inter-sectoral linkages. In the past, it was rural growth, especially in the farm sector, that mattered most for poverty reduction. However, in recent times, it has become more difficult to attribute poverty reduction to the performance of any specific sector. To that extent, poverty decline has become sector-neutral.

The Economic Survey 2016 notes that the fundamentals of the Indian economy are strong. The Indian economy has made “substantial improvements in its macroeconomic fundamentals and impressive strides in reducing macro-vulnerability with reforms in key areas, pursuit of fiscal prudence and consolidation, focus on price stability and the resultant benign price situation and comfortable level of external current account.” Though India’s growth prospects have become increasingly linked to the economic prospects of the world, which are grim, the Economic Survey projects a real GDP growth of 7-7.75 per cent for the fiscal year 2016-17.

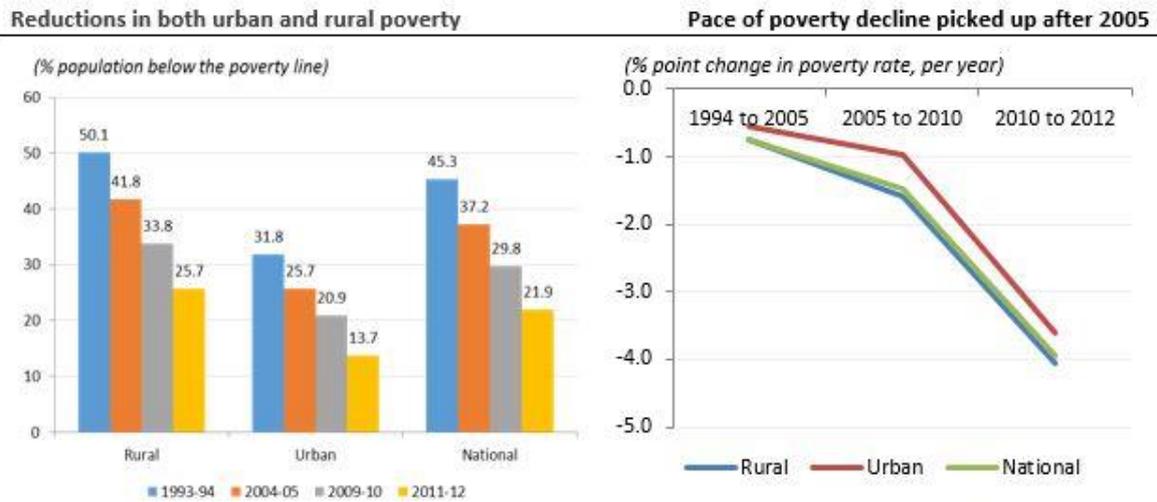
Real GDP in the first half of 2016-17 grew by 7.2 percent – lower than the 7-7.75 per cent projection in the Economic Survey 2015-16 and somewhat lower than the 7.6 percent recorded in the second half of 2015-16. This was largely because of the sharp decline in fixed investment as stressed balance sheets in the corporate sector continued to take a toll on firms’ spending plans. At the same time, the economy was buoyed by government consumption, as the 7th Pay Commission salary recommendations were implemented, and by the long-awaited start of an export recovery as demand in advanced countries began to accelerate. Over 2016-17, there was moderation in the growth of industrial and nongovernment service sectors, a modest pick-up in agricultural growth due to favourable monsoons, and strong growth in public administration and defence services.

However, Government’s act of demonetisation on November 8, 2016 has rendered future growth prospects somewhat uncertain. Described by the Economic Survey 2016-17 as a ‘radical governance-cum-social engineering measure’, the two largest denomination notes, Rs 500 and Rs 1000—together comprising 86 percent of all the cash in circulation—were “demonetised” with immediate effect. The aim of the action was fourfold: to curb corruption, counterfeiting, the use of high denomination notes for terrorist activities, and especially the accumulation of “black money”, generated by income that has not been declared to the tax authorities.

The Government acknowledges the short terms costs but also realizes that there could be huge long term benefits in terms of reduced corruption, greater digitalization of the economy, increased flows of financial savings, and greater formalization of the economy, all of which could eventually lead to higher GDP growth, better tax compliance and greater tax revenues.

Nevertheless, the IMF World Economic Outlook (January 2017) trimmed down the growth forecast for 2016–17 by one percentage point and for the next fiscal year by 0.4 percentage point primarily due to the temporary negative consumption shock induced by cash shortages and payment disruptions associated with the currency note withdrawal and exchange initiative.

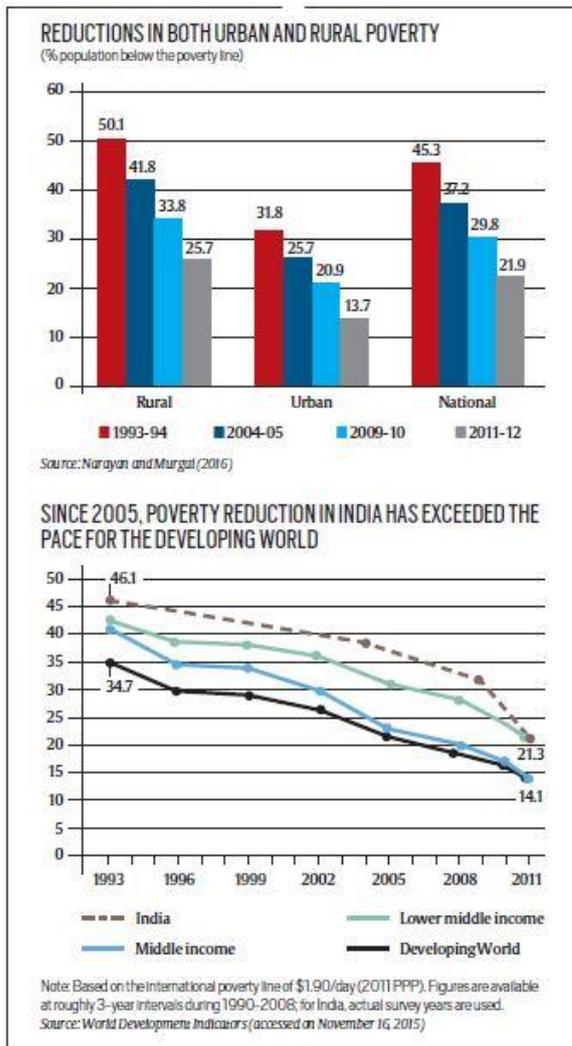
**Income poverty has been declining at an increasingly rapid pace over the past two decades.** The proportion of poor below the poverty line has fallen from 45 per cent in 1994 to 22 per cent in 2012. And close to 133 million people were lifted out of poverty during this period.



Source: Narayan and Murgai (2016)

Several features of poverty reduction are important to note.

*One*, the pace of India's poverty reduction has been faster than for the developing world.



Two, 85 per cent of poverty reduction since 1991 can be attributed to the expansion of the tertiary and secondary sectors, and not the primary sector. As noted earlier, with its contribution of the primary sector to GDP falling, its overall contribution to poverty reduction has dwindled. Whereas before 1991 the primary sector accounted for about two-fifths of the total poverty decline, after this period its contribution fell to less than 10 per cent of the total — and larger — decline in poverty. At the same time, the contribution of the other sectors to poverty reduction has risen substantially. While growth in the secondary sector accounted for about 25 per cent of the fall in poverty after 1991, the tertiary sector alone contributed over 60 per cent to its decline. This is simply because the non-farm sector accounts for a larger share of GDP and grows faster than the farm sector. It is not due to growth in the non-farm sector being intrinsically more pro-poor than growth in the rest of the economy. Since 2000, India's construction boom — which has intensively used low-skilled labour — has helped secondary sector growth to be more pro-poor.

Three, urban growth has been responsible for about 80 per cent of the total fall in poverty since 1991. The poor living in rural areas have gained more from urban than from rural growth, benefitting significantly from the higher productivity growth of more populous cities.<sup>5</sup>

**A growing middle class represents a dominant trend of upward mobility.** Two aspects of this trend are worth noting. One, as a result of upward mobility, the middle class today constitutes close to a third of India’s population – the second largest segment of the population by 2012. Two, more people have moved up – out of poverty – than the other way around. In 2005, 37 per cent of Indians were poor. By 2012, this proportion had fallen to 22 per cent. In other words, 15 per cent of Indians who were poor in 2005 were no longer poor by 2012. However, it is likely that while some Indians escaped poverty, others fell into it. But between 2005 and 2012, whereas 27 per cent moved out of poverty, only 7 per cent fell into it.

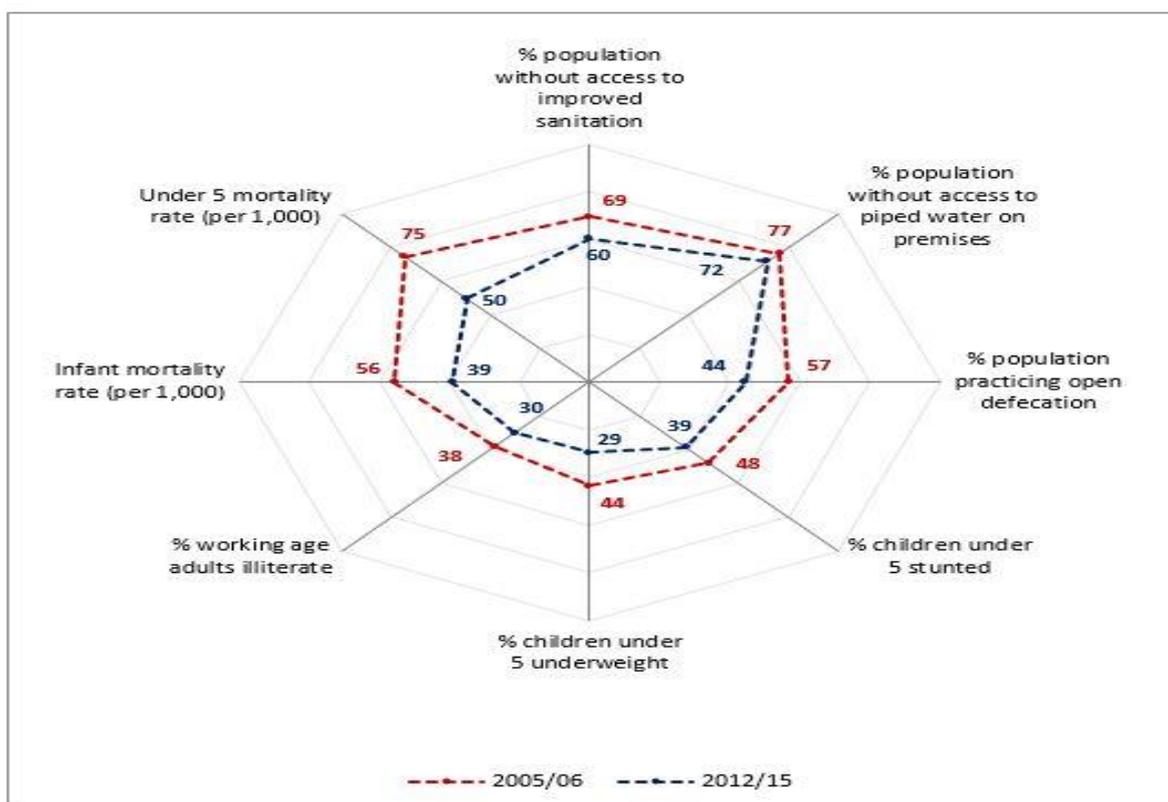
**Table: Movements out of poverty exceed shifts into poverty**

% of Households		2012	
		Poor	Non-poor
2005	Poor	12.2	26.8
	Non-poor	7.0	54.0

Source: Authors' estimates using IHDS panel (2005, 2012)

**India has recorded progress along many non-income dimensions of well-being.** Explanations for the impressive reductions in income poverty can be found in the marked improvements in ending deprivations along multiple fronts.

<sup>5</sup> Gaurav Datt, Martin Ravallion and Rinku Murgai (2016), “India, the driver of growth for Bharat,” Indian Express June 13, 2016 accessible at <http://indianexpress.com/article/explained/world-bank-poverty-india-poverty-world-bank-india-poverty-report-poverty-line-2849522/>



For instance, between 2005-15, for instance, the proportion of underweight children below 5 years fell by 34 per cent, under-5 mortality declined by 33 per cent, and infant mortality declined by 30 per cent. The percentage of working age adults who were illiterate declined by 21 per cent. And the proportion of population defecating in the open which declined by 23 per cent. Gains were also recorded, though to a lesser extent, in the proportion of stunted children below 5 years which fell by 19 per cent, the proportion of population without access to safe sanitation which improved by 13 per cent, and the proportion of population without access to piped water on premises which improved by 6.5 per cent.

**India has built up a good response mechanism to natural disasters and emergencies.** More than 58 per cent of India’s landmass is prone to earthquakes of moderate to very high intensity. India’s hilly areas are at risk from landslides and avalanches. Over 40 million hectares (12 per cent) of its land is prone to floods and river erosion. Close to 5,700 kms, out of the 7,516 kms long coastline is prone to cyclones and tsunamis. And 68 per cent of the country’s cultivable area is vulnerable to droughts. India is vulnerable to Chemical, Biological, Radiological and Nuclear (CBRN) emergencies and other man-made disasters.

Recognizing the multiple vulnerabilities, India has made a decisive shift over the past decade from a relief-centric approach to a more proactive, holistic and integrated approach of strengthening disaster preparedness, mitigation, and emergency response. This shift is reflected in the enactment of a comprehensive Disaster Management Act in 2005, the adoption of the National Policy on Disaster Management in 2009, and the formulation by Government of India of the National Disaster Management Plan (NDMP) in May 2016. The vision of the NDMP is to “make India disaster resilient, achieve substantial disaster risk reduction, and significantly decrease the losses of life, livelihoods, and assets – economic,

physical, social, cultural, and environmental – by maximizing the ability to cope with disasters at all levels of administration as well as among communities.” The NDMP recognizes the need to minimize, if not eliminate, any ambiguity in the responsibility framework. It is designed in such a way that it can be implemented as needed on a flexible and scalable manner in all phases of disaster management: a) mitigation (prevention and risk reduction), b) preparedness, c) response and d) recovery (immediate restoration to build-back better).

**India has taken progressive measures to meet international human rights obligations<sup>6</sup>.**

India is a signatory to 10 key international human rights instruments including International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Convention on the Rights of the Child (CRC), and the Convention on the Rights of Persons with Disabilities (CRDP). The government has approved ratification of two fundamental conventions of International Labour Organization (ILO) to address concerns related to child labour -Minimum Age Convention (No 138) related to minimum age for admission to employment and Worst Form of Child Labour Convention (No 182) related to prohibition and immediate action for elimination of the worst form of Child labour,” India has also accepted but not yet ratified the Convention for the Protection of all Persons from Enforced Disappearance (CED), the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) and its Optional Protocol and core ILO Conventions, including 138 and 183 on child labour. India has however not signed or ratified the 2<sup>nd</sup> Optional Protocol to ICCPR on abolishing death penalty, and the 1951 Refugee Convention or its 1967 Protocol. India has also accepted to "Continue cooperating with Special Procedures and accept, in particular, requests for visits from Special Rapporteurs." In 2011, India issued a standing invitation to Special Procedures in 2011, seen as part of its commitments made when seeking membership to the Human Rights Council.

Equally important to note is the recognition by Government of India of the need to address violence against women as a human rights violation, and also as an issue that detracts from the country’s path to prosperity and inclusive development. It has taken legislative measures in this regard, including actions to address rape and sexual violence.

**Several laws have been passed in recent years, especially over the past decade, to protect children, women and disadvantaged groups.** India has enacted many significant rights-based laws over the past decade which guarantee entitlements especially to the poor. These include, for instance, including the Right to Information Act, 2005, the Mahatma Gandhi National Rural Employment Guarantee Act, 2005, The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 the Right of Children to Free and Compulsory Education (RTE) Act, 2009, the National Food Security Act, 2013, the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act 2014, and the Public Service Guarantee Acts enacted by some state governments.

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<sup>6</sup> See Joint Submission of India, UN Country Team (UNCT) for the Universal Periodic Review of India, 3<sup>rd</sup> Cycle, October 2016, New Delhi.

More recently, over the past two years, India has enacted or modified a number of laws to further protect and promote the rights of disadvantaged groups including the HIV and AIDS (Prevention and Control) Bill, 2014, the Juvenile Justice (Care and Protection) Act, 2015, the Scheduled Castes and Tribes (Prevention of Atrocities) Amendment Act, 2015, the Mine and Minerals Development and Regulation (Amendment) Act, 2015, the Child Labour (Prohibition and Regulation) Act, 2016 and the Transgender Persons (Protection of Rights) Bill, 2016. In December 2016, India enacted the Rights of Persons with Disabilities Act, 2014 which is in line with the UN Convention on Rights of Persons with Disabilities, and recognizes 21 types of disabilities, offers free education to every child 6-18 years with benchmark disability, between the age group of 6 and 18 years will have the right to free education, increases reservation in government jobs for persons with benchmark disabilities from 3 to 4 per cent, and in higher education institutes from 3 to 5 per cent. Also under consideration is the Constitution (108th Amendment) Bill that proposes 33 per cent reservation for women in Parliament and State Assemblies.

### ***The remaining challenges***

Whereas India’s growth and poverty reduction story is, by and large, positive and impressive, a closer examination points to a set of key challenges.

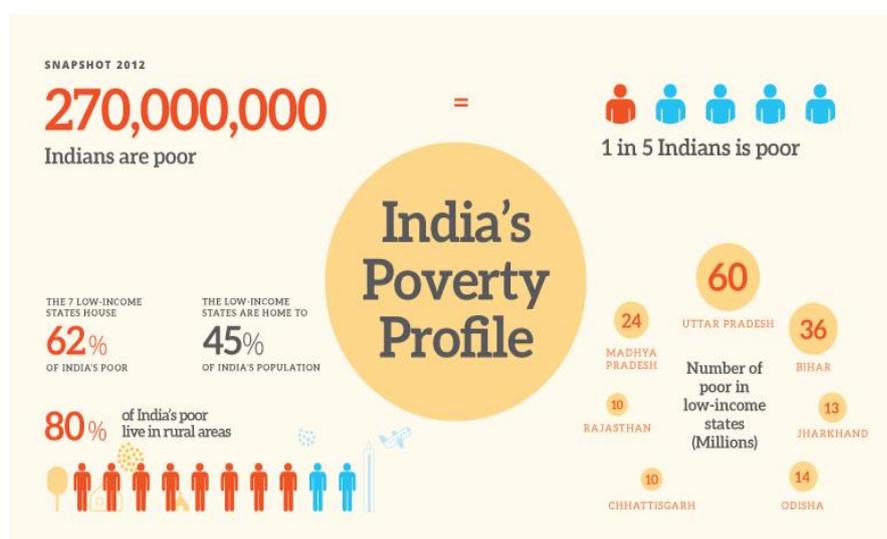
**India does not match BRICS and many South Asian nations on key human development indicators.** Not only does India lag behind other BRIC nations (arguably because of the country’s relatively lower levels of income), but India has also not been able to match the achievements of other South Asian countries, notably Bangladesh, Bhutan and Nepal.

	Income		Health			Education	
	Gross National Income Per Capita	Gross Domestic Product (GDP) per capita – Average annual growth rate	Life expectancy at birth (years)	Under-5 Mortality Rate	Maternal Mortality Ratio	Youth literacy rate (per cent)	Mean years of schooling
					Adjusted		
	(US\$)	( per cent)	2015	(per 1,000 live births)			
2015	1990-2014		2015	2015	2005-2014	2013	
India	1,600	5	68	48	174	86	5.4
Brazil	9,850	1.8	75	15	44	99	7.7
China	7,930	9.2	76	9	27	100	7.5
Russian Federation	11,450	2.5	70	8	25	100	12
South Africa	6,080	1.2	58	34	138	99	9.9
<b>South Asian countries</b>							

Afghanistan	610	5.6	61	91	396	47	3.2
Bangladesh	1,190	3.6	72	38	176	82	5.1
Bhutan	2,380	5.3	70	33	310	87	3
Maldives	6,950	4.1	77	9	587	99	5.8
Nepal	730	2.6	70	36	258	85	3.3
Pakistan	1,440	1.7	66	81	178	72	4.7
Sri Lanka	3,800	4.4	75	10	30	98	10.8

Source: World Bank, UNICEF The State of the World's Children Report 2105, UNESCO and Human Development Report 2015

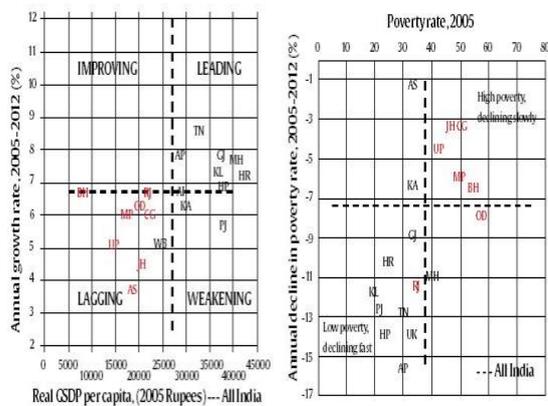
**Deprivations along different dimensions of human life remain widespread.** *One*, despite the impressive reductions, income poverty remains extensive. In 2012, one in five Indians was classified as being ‘poor.’ This meant that close to 270 million Indians were poor.



*Two*, poverty is concentrated in rural areas and in low-income states. Poverty rates in most low income states are higher than in the others. In 2012, seven low-income states (Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh) accounted for 45 per cent of India population but for 62 per cent of the country's poor. Three of them (Uttar Pradesh, Bihar and Madhya Pradesh) accounted for 44 percent of India's poor. As a result, low-income states as a group – with Rajasthan as the exception – have a poverty rate that is twice that of the rest of the country.

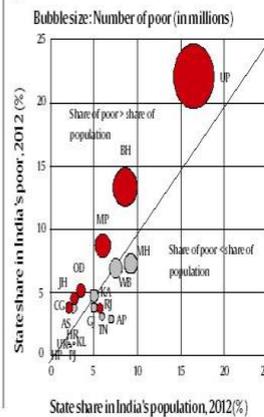
## Most low-income states have a poverty rate twice that of other states

Figure 1: Divergence in growth and poverty reduction in India after 2005



The low-income states (LIS) comprising Bihar (BH), Chhattisgarh (CG), Jharkhand (JH), Madhya Pradesh (MP), Odisha (OD), Rajasthan (RJ) and Uttar Pradesh (UP) are highlighted in red. The other states (out of the 19 larger states considered here for the analysis) are Andhra Pradesh (AP), Assam (AS), Haryana (HR), Gujarat (GJ), Himachal Pradesh (HP), Karnataka (KA), Kerala (KL), Maharashtra (MH), Punjab (PJ), Tamil Nadu (TN), Uttarakhand (UK) and West Bengal (WB).  
Source: World Bank staff calculations based on National Sample Surveys and Central Statistical Office data

Figure 2: A disproportionate share of India's poor live in the Low-Income States



That low-income states have failed to provide people with access to basic social services and infrastructure is a major reason for the prevalence of higher rates of poverty. Close to 60 per cent or more of households in the low-income states practice open defecation compared to the national average of 44 per cent. Access to drinking water and electricity within homes continues to be a distant dream for many. More specifically, in Chhattisgarh, Odisha, Jharkhand and Madhya Pradesh, only about a third of households have access to drinking water within their homes. As for electricity, only a third of households in Bihar report using electricity, while Uttar Pradesh performs somewhat better with half its households doing so.

It is therefore not surprising that the seven low-income states are yet to catch up with the rest of the country in growth and poverty reduction. Between 2005 and 2012, with the exception of Bihar and Rajasthan, the low-income states grew at a slower pace than the rest of the country (see figure). Poverty reduction in the low-income states has also not been as responsive to economic growth as in the other states.

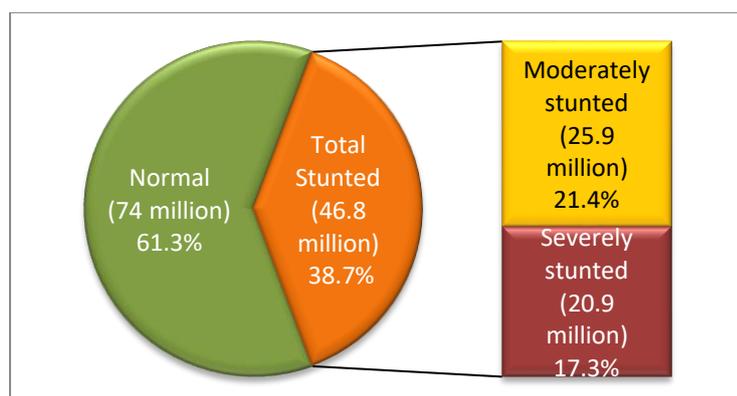
A disproportionate burden of the insufficient provision of public services falls on women and girls. Take the case of shortages in sanitation facilities. Women and young girls become extremely vulnerable given, among other factors, the threat to physical safety and dignity while going out to defecate in the open, the reduction in food and water intake as the need to exit the home to use toilets, and the use of polluted water that leads to childbirth-related infections, and a host of other impacts.

Three, hunger and under-nutrition continue to affect the lives of a large number of Indians. India 97<sup>th</sup> out of 118 countries on Global Hunger Index, and IFPRI describes India's hunger situation as "serious."

Global Hunger Index 2016 India and its neighbours

Rank	Country	GHI score
29	China	7.7
72	Nepal	21.9
75	Myanmar	22
84	Sri Lanka	25.5
90	Bangladesh	27.1
97	India	28.5
107	Pakistan	33.4

Children’s poor nutritional status in particular remains a matter of concern. India has among the highest proportion of stunted children in the world.



India produces about 250 million metric tonnes of food grains per annum, which is sufficient to meet calorie requirements of the domestic population and also leave an exportable surplus. In addition, Government of India has taken several steps to combat hunger and as well as the issue of food and nutrition security. The National Food Security Act (NFSA - 2013) provides food security as a legal entitlement to Indian citizens by adopting a life cycle approach that combines the benefits of three large food safety-net programmes: (i) Targeted Public Distribution System (TPDS)—targeting the food insecure poor population; (ii) Mid-Day Meal Scheme (MDMS)—a school feeding programme targeting children in the age group of 6 to 14 years; and (iii) Integrated Child Development Services (ICDS)—an integrated set of health, nutrition and education services, delivered at village level through the child health centres called Anganwadi. Section 4(b) of the NFSA provides for maternity benefits of Rs. 6,000 to all pregnant and lactating mothers (except regular public sector employees). Reiterated by the Prime Minister in 2017 and acknowledged in Government of India’s budget for 2017-18, the scheme however is yet to be implemented

High economic growth and self-sufficiency in food-grains production, however, coexist with food wastage<sup>7</sup> and high levels of undernourishment and malnutrition. According to NFHS-4, in, in 2015-16, 38.4 per cent of children under 5 years were stunted, 21 per cent are wasted and 35.7 per cent are underweight. The prevalence of child malnutrition varies by geography and location. The prevalence of the indicators of child malnutrition in rural areas is higher

<sup>7</sup> According to a study commissioned by the Government of India, the harvest and post-harvest loss in cereals is in the range of 4.65% to 5.99% of the total cereals production. Losses ranging from 4.58% to 15.88% are similarly reported in horticulture products such as fruits and vegetables.

than in urban areas. Some states like Chhattisgarh and Madhya Pradesh in the central belt, Bihar, Jharkhand and Odisha in the east, Uttar Pradesh in the north, and Gujarat and Rajasthan in the west report relatively higher rates of child under-nutrition than the rest of the states. Most of the states in the north-east and in the south report lower prevalence of malnutrition compared to the national average<sup>8</sup>.

Undernourishment can be attributed to several factors. The first clue to understanding the high rates of child under-nutrition is found in the sizeable proportion of babies – close to 28 per cent – who are born of low birth weight. This in turn points to the poor nutritional status of mothers before conception, their short stature (mostly due to under-nutrition and infections during childhood) and poor nutrition during pregnancy. In other words, low birth weight is indicative of the inter-generational transfer of under-nutrition from the mother to the child. There are other factors as well including the lack of purchasing power among the poor. Since poor households spend more than 60 per cent of their income on food<sup>9</sup>, food inflation<sup>10</sup> over the years has impacted the access of poor families to food. In addition to food consumption, poor assimilation of food into the body is another factor contributing to under-nutrition. This is linked to lack of access to basic services such as water supply, sanitation, health and nutrition facilities among the poor. Low female literacy and insufficient knowledge on nutrition and health care practices and inadequate attention to the first 1,000 days of children<sup>11</sup> have also been found to contribute to child under-nutrition in particular.

There is also high prevalence of silent hunger, which is in hidden form, i.e. the diseases and symptoms related to lack of intake in protein, iron and other such macro and micro-nutrients. According to NFHS-4, in 2015-16, 53 per cent of women 15-49 years and 58.4 per cent of children 6-59 months were anaemic. Studies carried out by the National Nutrition Monitoring Bureau in the rural communities of nine Indian states reveal that, with the exception of cereals and tubers, consumption of all other income elastic and protective foods such as pulses, green leafy vegetables, milk and milk products, fresh foods, and fruits, is inadequate. More than 50 per cent of individuals consume less than 70 per cent of recommended levels of micronutrients such as Vitamin A, folic acid, riboflavin and iron.

**Large gaps remain in the fulfillment of reproductive health and rights of adolescents.** For example, the decline in child marriages is slow and the numbers married are high. Nearly 1 in 3 adolescent girls aged 15-19 are currently married, compared to 1 in 20 boys of the same age. And about 1 in 5 women currently aged 20-24 years were married before they turned 15 years. Child marriage is prevalent across the country, but rates are higher in rural (48 per cent) than in urban areas (29 per cent)<sup>12</sup>. Girls from poorer families, from scheduled castes and tribes, and with lower education are more likely to get married at a younger age. Married girls are at risk of school dropout, repeated childbearing with its inherent health risks, domestic violence and HIV. Child marriage is rooted in gender norms and expectations about

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<sup>8</sup> Rapid Survey on Children, Ministry of Women and Child Development, Government of India and UNICEF, 2013-14.

<sup>9</sup> NSSO 66th Round on Consumer Expenditure – Rural household spend about 52.2% and urban about 39.2% of their income on food. The figure for bottom 20% of the households spend 64.8% and 57.6% respectively in rural and urban areas.

<sup>10</sup> Food inflation has been consistently higher than the general inflation since 2008. Food inflation in July 2016 has been around 12% as compared to the General inflation of 4%. The inflation in vegetables are around 30% and that in pulses around 35%.

<sup>11</sup> Report on the State of Food Insecurity in Rural India, First edition (2001) and Second Edition (2008) and Report on the State of Food Insecurity in Urban India, First edition (2003) and Second Edition (2010) published jointly by MSSRF and WFP, New Delhi.

<sup>12</sup> 48% rural vs 29% urban, DLHS 3 2007-2008

girls' value and roles. Child marriage is a deeply rooted social norm and a manifestation of widespread gender inequality and discrimination. Despite legislation banning child marriage, government and community leaders are not taking adequate action to end the practice.

Adolescent girls in particular face several risks which makes their lives extremely vulnerable. The risks are high to the lives of adolescents who marry early. Almost half of all maternal deaths are reported among 15-24 year olds. Close to 56 per cent of adolescent girls 5-19 years are anaemic. And nearly half (47 per cent) of girls and 58 per cent of boys have BMI less than 18.5 kg/m. Adolescent girls who are sexually active are particularly vulnerable to HIV. In India, 36 per cent of adolescent girls have not heard of HIV/AIDS. As many as one fifth of girls aged 15-19 years, experience physical violence and five per cent are victims of sexual violence. Violence against adolescents' manifests in every context and in many forms by many perpetrators. The problem grows worse if it is not addressed and is rooted in social norms and societal attitudes that condone it, including stereotypical gender roles and discrimination, acceptance of corporal punishment and harmful traditional practices. The lives of girls and young women are affected by poor access to improved sanitation and by low levels of knowledge to safely manage menstruation. Unhygienic practices, including poor personal hygiene and use of unsanitary menstrual absorbents, lead to increased risk of infection and chronic reproductive health problems. More than half – 55 per cent of adolescents live in households without a toilet. The majority of young women (85 per cent) do not use sanitary napkins during menstruation and 11 per cent suffer from STIs.

**Inequalities persist and some like income disparities have widened.** According to the New World Wealth Report 2016, India is the 12th most unequal country in the world. India's gini coefficient that measures income inequality has risen from 45 per cent in 1990 to 51 per cent in 2013. The 'typical' Indian household could consume Rs 13,554 per month in urban Gurgaon in Haryana, which has the highest consumption levels among all the 1,400 places considered. At the other extreme, a similar household in a small village in the Malkangiri district of Odisha would consume only Rs 2,928. Seen from this more detailed standpoint, the difference in consumption levels rises to 362 per cent. Close to half of the overall variation in consumption expenditure across places can be explained by differences in a household's characteristics such as its ownership of assets, in its education and skills, and in its age composition. This means that one third of the variation in per capita consumption in India is related, in one way or another, to the place where a household lives.

India ranks next only to Russia in the world in terms of the concentration of wealth at the top. The top one per cent of India's population owned 58 per cent of the country's wealth in 2016 – up from 49 per cent in 2014.

Proportion of country's wealth owned by top 1 per cent of the population				
		2014	2015	2016
1	Russia	66	70	75
2	India	49	53	58

3	Brazil	46	48	48
4	China	37	39	44
5	South Africa	40	43	42
Figures rounded. Source: Credit Suisse Global Wealth Databook 2014, 2015, 2016				

According to the Economic Survey 2016-17, spatial dispersion in income is still rising in India in the last decade (2004-14), unlike the rest of the world and even China.

Other forms of inequalities especially arising out of caste, class and gender continue to persist.

India fares poorly on gender indicators. Deeply embedded patriarchal structures and practices contribute to India's low ranking - 125 out of 159 countries with a Gender Inequality Index (GII). India has the worst gender differential in child mortality of any country in the world. Each year, approximately half a million fewer girls are born as a result of gender-biased sex-selection. In India, two-thirds of women are subjected to violence against women; the global average is one-third. For every 100,000 live births, 174 women die of pregnancy-related causes. Female participation in the labour force is extremely low, with India ranking 120 out of 131 countries. Only 26 percent of adult women attend secondary or higher education compared to 50 percent of their male counterparts.

Violence against women and girls is high. A rape is reported every 30 minutes in India. One-fifth of girls aged 15-19 years, experience physical violence and five per cent are victims of sexual violence. Much of the abuse faced by girls and women has to do with entrenched social norms that normalise beating. For example, close to 54 per cent of young men and 58 per cent of young women agree that wife beating is justified for any one reason.

**The sustainability of agriculture and livelihoods of small farmers remains threatened:**

Whereas agriculture's share in India's economy has progressively declined due to the rapid expansion of the industrial and services sectors, the sector's importance in the Indian economy remains significant. First, nearly three-quarters of India's families depend on rural incomes. Second, the majority of India's poor (70 percent) are found in rural areas. And third, India's food security depends on producing cereal crops, as well as increasing its production of fruits, vegetables and milk to meet the demands of a growing population with rising incomes. The Ministry of Agriculture and Farmer's Welfare (MoAFW) estimates that an additional 310 million tons of food grains per year will be required by 2050 to feed the nation.

However, farming is becoming increasingly unsustainable. Over 70 per cent of individual farmland holdings are small - less than one hectare - and close to 60 per cent of total net sown area comes under rainfed lands. Small farmers dependent on rainfed farming are among the poorest. Existing policies that determine the direction of agricultural practices do not adequately integrate conservation concerns. In addition, agricultural investments and policies do not distinguish between locations of different ecological value, e.g., highly productive landscapes and protected areas. The negative conservation impacts of agriculture are particularly problematic at high conservation value landscapes where convergence of

agriculture production and support for biodiversity conservation, sustainable farm management, and land degradation is insufficient.

Several factors have contributed to the unsustainability of agriculture. These include, for instance, chronic underfunding of agricultural research and extension systems, infrastructure and irrigation, as well as ensuring access to state-of-the-art technologies. At the same time, access to water for cultivation is becoming difficult due to increasing demand for water from industry and domestic use, and also the over-pumping of water which is leading to falling groundwater levels. In some locations, water-logging has led to the build-up of salts in the soils of some irrigated areas. In rain-fed areas, on the other hand, where the majority of the rural population live, appropriate agricultural practices have not been adopted to reduce soil erosion and increase the absorption of rainfall. The productivity of irrigation (“more crop per drop”) has not yet been radically enhanced. Over-use of chemical fertilizers and pesticides has brought with many adverse public health consequences. Farmer loans combined with uncertain incomes have added to agrarian distress. Piped conveyance, better on-farm management of water, and use of more efficient delivery mechanisms such as drip irrigation are among the actions that could be taken. The potential to expand agro-processing and build competitive value chains from producers to urban centres and export markets remains untapped. Sustainability of agriculture is further compromised by the limited amount of strategic coordination between agencies responsible for agriculture, forestry, ecosystem services, and biodiversity conservation.

**Unplanned urbanization continues to have adverse impacts.** Urban India today contributes close to 60 per cent of India’s GDP. The pace of urbanization has picked up with the urban population growing by 32 per cent between 2001 and 2011 - almost double the percent increase in total population. For the first time, the absolute increase in population was larger in urban areas. India’s urban population is rapidly growing fuelled also by the migration from rural to urban areas. According to government estimates for the Smart Cities initiative, about 25–30 people will migrate every minute from rural areas to major Indian cities in search of better livelihoods and better lifestyles, with an expected 843 million people living in urban areas by 2050. Part of the rapid urbanization is the result of urban sprawl, with rural areas densifying and gradually being subsumed into nearby cities. An estimated 180 million rural people live next to India’s 70 largest urban centres. Whereas some cities are rapidly expanding beyond their municipal boundaries, many once-rural areas are becoming denser and acquiring more urban characteristics. India’s rural-urban divide is being replaced by a rural-urban gradation.

According to the World Bank’s analysis, the ‘best’ places to live in India tend to be near each other. Clusters of such places can be found in the northwest of India, along the western and southwestern coasts, and in India’s northeast, towards Bangladesh. Among them are the agglomerations surrounding Ahmedabad, Bengaluru, Delhi, Jodhpur, Kolkata, Mumbai, Puducherry, South Goa and Thiruvananthapuram. Some of these clusters are huge. For example, the one around Delhi spreads across 60 districts, spanning seven of India’s northwestern states and Union Territories. Similarly, the cluster around Thiruvananthapuram spans 19 districts across the three southern states of Karnataka, Kerala and Tamil Nadu. The ‘least good’ places to live and work are concentrated in the centre of India, where the states of Madhya Pradesh, Chhattisgarh, and Odisha meet. A number of such places can also be

found in Uttar Pradesh and Bihar, along the Ganga basin. Surprisingly, most of them do not fall in the rural parts of these states, but rather in small urban areas.

However, the unplanned nature of urbanization is beginning to pose serious concerns. Housing in cities and towns is inadequate and unaffordable. The growth of unplanned slums points to deteriorating standards of living. Infrastructure deficits are severe across cities and towns. Urban transport infrastructure and services are grossly inadequate, both in quantity and quality. Acquisition of land for urban use is cumbersome. Urban air and water pollution and emission levels are an increasing concern. Safety and security, especially of women and children, are becoming serious concerns. These growing concerns have prompted Government of India to provide a fresh impetus to the urban sector through the launch a number of schemes and programmes including Smart Cities Mission, AMRUT, HRIDAY, Housing for All, and Clean India Mission, and development of RURBAN clusters.

**India faces threats to its security - both internal and regional.** Close to 106 districts, half of which are in tribal areas of Chhattisgarh, Jharkhand, Odisha, Bihar, West Bengal, Andhra Pradesh, Telangana, Maharashtra, Madhya Pradesh are affected by Left-wing Extremism. Among the many causes are land alienation and displacement without proper compensation, neglect and challenges of service provisioning, failure of the legal system to protect rights of tribal communities, and the absence of sufficient voice and representation in the public sphere. Language and ethnicity, tribal rivalry, migration, control over local resources and a widespread feeling of exploitation and alienation have resulted in violence and diverse demands by various Indian Insurgent Groups (IIGs). As a result, violent clashes continue to occur between protestors and security forces in Kashmir and in a number of areas in the North East, particularly Manipur, which are administered under the Armed Forces Special Powers Act. Cross-border terrorism and the dispute over Kashmir continue to divide India and Pakistan. Regional issues are of increasing concern, including the future of Afghanistan and relations with Bangladesh, Myanmar, Nepal, Sri Lanka and China.

**Prosperity has not been shared equitably.** Several communities have not benefited from the impressive increase in incomes. Among the prominent groups left behind are Dalits, orphans, manual scavengers, migrant workers and displaced populations, minorities, people with disability, refugees and asylum-seekers, Scheduled Tribes, the elderly, the transgender community, and other marginalised groups such as fishing communities, sex workers, Persons living with HIV/AIDS, and street children.

Scheduled Tribes and Scheduled Castes fare worse on most social indicators. For instance, in 2011, less than half the women belonging to Scheduled Tribes and 57 per cent of those belonging to Scheduled Castes could read and write as against the national average of 65 per cent.

Scheduled Tribes are by far among the most deprived communities of India.

Table : Levels of deprivation among Scheduled Tribe communities in India		
Deprivation Indicators	All	STs
	Per cent	

1	Households with only one room, Kucha walls and Kucha roof	13.3	29.8
2	No adult members between ages of 16 and 59	3.6	5.0
3	Households with no literate adult above 25 years	23.5	53.0
4	Female headed households with no adult male member between 16 and 59	3.9	6.3
5	Scheduled Caste/Scheduled Tribe Households	21.6	100.0
6	Households with disabled member and no able bodied member	0.4	0.6
7	Landless households deriving a major part of their income from manual casual labour	30.0	40.1
<b>Source: SECC 2011</b>			

Similarly, levels of under-nutrition are worst among children belonging to Scheduled Tribes.

Percentage of children aged 0-59 months	Social category			
	Scheduled Castes	Scheduled Tribes	Other Backward Classes	Others
Stunted (Height for age below -2SD)	42	42	39	34
Severely stunted (Height for age below -3SD)	19	20	18	14
Wasted (Weight for height below -2SD)	16	19	15	14
Severely wasted (Weight for height below -3SD)	5	5	4	4
Underweight (Weight for age below -2SD)	33	37	29	24
Severely underweight (Weight for age below -3SD)	11	13	9	7
Source: Rapid Survey on Children 2014				

Levels of human development among Muslims also falls short of the national average. Compared to the Muslim majority areas, the areas inhabited by fewer Muslims had better roads, local bus-stops, *pucca* houses, sewage and drainage and water supply facilities. The Sachar Committee report of 2005<sup>13</sup> pointed out that around 40 per cent of large villages with a substantial Muslim concentration did not have any medical facilities. Also, in 2011-12, whereas the rural headcount poverty ratio was 26 per cent, it was 45 per cent among Hindu Scheduled Tribes and 31 per cent among Muslim OBCs.

<sup>13</sup> See summary accessible at <http://www.prsindia.org/administrator/uploads/general/1242304423~~Summary%20of%20Sachar%20Committee%20Report.pdf>

Head Count Ratio for Socioeconomic groups RURAL		
	Percentage of Poor	
	2004-05	2011-12
Hindu ST	65	45
Hindu SC	54	34
Hindu OBC	41	23
Hindu Others	22	12
Muslim OBC	45	31
Muslim Others	43	25
Other religions	24	11
All	42	26

Source: Post Sachar Evaluation Committee 2014

*Migrant populations:* Internal migrants constitute 30 per cent of India’s population, 70 per cent of which are women. This movement is driven by a combination of pull factors, such as possibilities for better earnings in urban areas, and push factors, such as the agrarian distress and the hope for better livelihoods in urban areas. India also accounts for the highest number of internally displaced persons due to disasters with an estimated 3.7 million people displaced in 2015. Both internal migrant workers and displaced communities often fall outside the social safety net as little welfare assistance is provided. For instance most of the rural migrants work in the informal sector and settle down in low-income urban settlements or slums with non-existent infrastructure and a constant fear of eviction. Lacking proof of identity and local residence, migrants are often not able to claim entitlements or receive benefits. In addition migrant children and adolescents tend to drop out of school while women are forced into low paying informal labour. These factors also render them highly vulnerable to sexual exploitation and trafficking, especially adolescent girls and children.

It is also important to recognize the vulnerability of thousands of migrant Indian workers who go to the Gulf Cooperation Council (GCC) countries. Despite some recent positive legal reforms in the United Arab Emirates and Saudi Arabia, migrant workers in GCC countries frequently experience stressful working conditions, long hours, unpaid wages, and cramped and unsanitary housing. With the exception of Bahrain, GCC governments ban migrant workers from forming unions to collectively bargain with their employers. Many workers incur large debts to pay recruiters to obtain their jobs. While GCC laws require employers to pay recruiting fees, the provisions are not often enforced. Many migrant workers work under the *kafala* system of sponsorship-based employment, which restricts them from changing employers without their employer’s consent. Reports of employers confiscating workers’ passports to maintain control over their movements are common. Access to legal and judicial remedies is extremely limited.

*Refugees and asylum-seekers:* Of the close to 212,000 refugees and asylum-seekers in India, half of them (around 110,000) are Tibetans and 65,000 are Sri Lankan Tamils. The rest are from different nationalities including Afghanistan, Myanmar, Somalia and in smaller numbers from other countries in the Middle East and Africa. Though India does not have any national refugee protection legislation in place, it has a long-standing tradition of hosting refugees and

the Government largely respects the principle of non-refoulement. Although refugee policy is determined on an ad hoc basis, the Government of India has put in place positive administrative frameworks to support refugees and asylum-seekers. The Government of India allows all refugees and asylum-seekers access to public health, education and legal aid, but lack of awareness of these services and local language skills constitute practical barriers to effective access. As per UNHCR's socio-economic assessment (2014-15), 55 per cent of refugees in Delhi are poor and 11.5 per cent are extremely poor. The proportion of poor/extremely poor is even higher in some locations outside Delhi. Many of them are living in unsanitary conditions in urban and semi-urban slums and work in low paid jobs in the informal sector, sometimes in exploitative conditions.

*The transgender community:* According to the Census of India 2011, there were close to 488,000 persons who did not identify as either male or female, and included transgender persons. According to the Socio Economic and Caste Census (SECC) 2011, the transgender population in rural households was around 75,000 and around 30,000 in urban locations. The transgender community faces exclusion from family and society. Being socially ostracised and often ridiculed, they face discrimination across society which makes them affects their health and mental health status – often tragically driving them to substance abuse as well as mental depression and even suicide. They are also more vulnerable to HIV/AIDS than others. They are largely denied access to schools and health facilities, jobs, and access to welfare services. Some exceptions exist as in the case of Tamil Nadu that was the first States to set up the Tamil Nadu Transgender Welfare Board (TGWB) to address the rights of the community. Several other States have followed this approach, including Kerala that has a Policy to ensure rights of the transgenders.

*People with disabilities:* Despite various legislative provisions<sup>14</sup> the educational status of children with disabilities has remained extremely low. A UNESCO and UNICEF (2015) study reports that out of 2.9 million children with disabilities in India, 990,000 children aged 6 to 14 years (34 per cent) are out of school.<sup>15</sup> In addition to the very high average rates of out-of-school children among children with disabilities, the rates among some disability categories are extremely high, with more than 60 per cent of children with multiple disability and almost half of children with mental disabilities (6-13 year olds) out of school. Almost three quarters of those with severe disabilities are illiterate, and even for those with mild disabilities, the illiteracy rate is around half<sup>16</sup>. People with disabilities have also not been able to sufficiently access employment opportunities. According to Census 2011, of the 13.4 million people with disabilities in India who are in the employable age of 15-59 years of age, 9.9 million or 74 per cent were non-workers or marginal workers.<sup>17</sup> In 2014, persons with disabilities accounted for only 0.41 per cent of regular civilian employees in the Central Government as against the mandated 3 per cent. The situation in the private sector is worse. Persons with disabilities

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<sup>14</sup> Section 26 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act of 1995 mandates the Government to ensure that every child with a disability has access to free education in an appropriate environment till the age of eighteen years. The Right of Children to Free and Compulsory Education or the RTE Act of 2009 also safeguards the rights of children with disabilities between 6-18 years of age to free and compulsory education.

<sup>15</sup> [http://www.unicef.org/education/files/allinschool.org\\_wp-content\\_uploads\\_2015\\_01\\_Fixing-the-Broken-Promise-of-Education-For-All-full-report.pdf](http://www.unicef.org/education/files/allinschool.org_wp-content_uploads_2015_01_Fixing-the-Broken-Promise-of-Education-For-All-full-report.pdf)

<sup>16</sup> UN's Poverty and Exclusion Results Group in India –

<sup>17</sup> <http://niepmd.tn.nic.in/documents/skill-0715.pdf>

represent only 0.3 per cent of the workforce in large private firms. People with disabilities face significant barriers when it comes accessing banks and micro-finance for self-employment. A quick scan of national laws shows over 150 laws that discriminate against not only people of 'unsound mind' but also those with 'physical and mental defect', 'incapacity', 'physical and mental infirmity', 'deaf mute', 'blind', 'contagious leprosy', 'leprosy cured', 'epilepsy' and many more.<sup>18</sup> Moreover, the absence of adequate social protection systems for persons with disability makes their conditions extremely vulnerable.

*Human trafficking.* India is a source, transit and destination country for human trafficking which includes commercial sexual exploitation, forced labour, adoption, marriage, begging and organ transplants. Although India has ratified the Convention Against Transnational Organized Crime and the Protocol on Human Trafficking, domestic legislation is yet to be aligned with it. Additionally, there is need to build the capacity of law enforcement and the judiciary. While the Ministry for Women and Child Development unveiled the first comprehensive draft of Trafficking of Persons (Prevention, Protection and Rehabilitation) Bill, 2016, the final bill has not been ratified by Parliament. Trafficking survivors are routinely treated as criminals, and victim assistance including post-rescue care, referral and rehabilitation services is inadequate. There are also very few mechanisms for speedy international cooperation with investigation and prosecution.

### ***Why has India performed below its potential?***

The following section identifies key factors accounting for India's mixed performance on growth and poverty reduction

**Economic growth has not been accompanied since 2000 by a sufficient growth in decent and productive employment especially for women and in rural areas.** Three features are important to note.

*One,* India has not created sufficient jobs despite the high rates of economic growth over the past decade. The compound annual growth rate (CAGR) of employment during 2004-05 to 2011-12 fell to 0.5 per cent – down from 2.8 per cent during 1999-2000 to 2004-05. Between 1999-2000 and 2004-05, India's labour force increased by 62 million – from 407 million to 469 million. However, employment (usual status) over this period increased only by 60 million. The growth in employment picked up strongly during the end of this period when total employment in India increased from 459 million in 2009-10 to 472.9 million in 2011-12. Thus, compared to an increase of just 1.1 million over a five-year period (2004-05 to 2011-12), employment rose, in net terms, by almost 13 million in just two years between 2009-10 and 2011-12.

Disaggregated data reveals countervailing forces – urban versus rural, men versus women, non-agriculture versus agriculture. Also, job creation was concentrated in urban areas and for men. Between 1999-2000 and 2011-12, male employment grew by 1.9 per cent per annum and female employment by only 0.3 per cent. Over the same period, urban areas accounted for the majority of jobs, though only around 31 per cent of the population resides there.

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<sup>18</sup> [http://dnis.org/features.php?issue\\_id=2&volume\\_id=9&features\\_id=193](http://dnis.org/features.php?issue_id=2&volume_id=9&features_id=193)

Whereas nearly 34 million jobs in agriculture were lost between 2005 and 2012, employment in the non-farm sector grew at an annual rate of 3.6 percent, adding about 50 million jobs. The construction sector alone accounted for nearly half of the expansion in non-farm employment. With most new jobs being created outside of agriculture, in 2012, for the first time more than half of the people at work in India were not on the farm. The share of the primary sector in total employment has dipped below the halfway mark (declined from 58.5 per cent in 2004-05 to 48.9 per cent in 2011-12), while employment in the secondary and tertiary sectors increased to 24.3 per cent and 26.8 per cent respectively in 2011-12 from 18.1 per cent and 23.4 per cent respectively in 2004-05.

While self-employment continues to dominate, with a 52 per cent share in total employment, a significant share of workers are engaged in low-income generating activities.

The share of the informal sector in employment continues to remain high. In 2011-12, 79 per cent of non-agricultural wage workers had no written contract and only 23.8 per cent were eligible for social security benefits. Total informal employment increased by 9.5 million to 435.7 million between 2004-05 and 2011-12. However, informal unorganized sector employment declined by 5.8 million to 390.9 million, leading to an increase in informal organized sector employment by 15.2 million. Consequently the share of unorganized labour has declined from 87 per cent to 82.7 per cent. But a more disconcerting trend is the rise in the share of informal workers in the organized sector because of a greater use of contract and other forms of casual labour. The share of contract labour (workers engaged through contractors and not directly by the employer) in organized manufacturing increased from 15.6 per cent at the end of the 1990s to 34.7 per cent in 2011-12.

Also, the proportion of job-seekers is highest (17 per cent) among those with a diploma or certificate in technical courses. This suggests that as people get more educated, they prefer to wait and get more suitable jobs rather than take up marginal jobs. India needs to develop a medium to long term strategy to find jobs for today's unemployed (close to 116 million) and also for the additional 224 million who will enter the labour force by 2050.

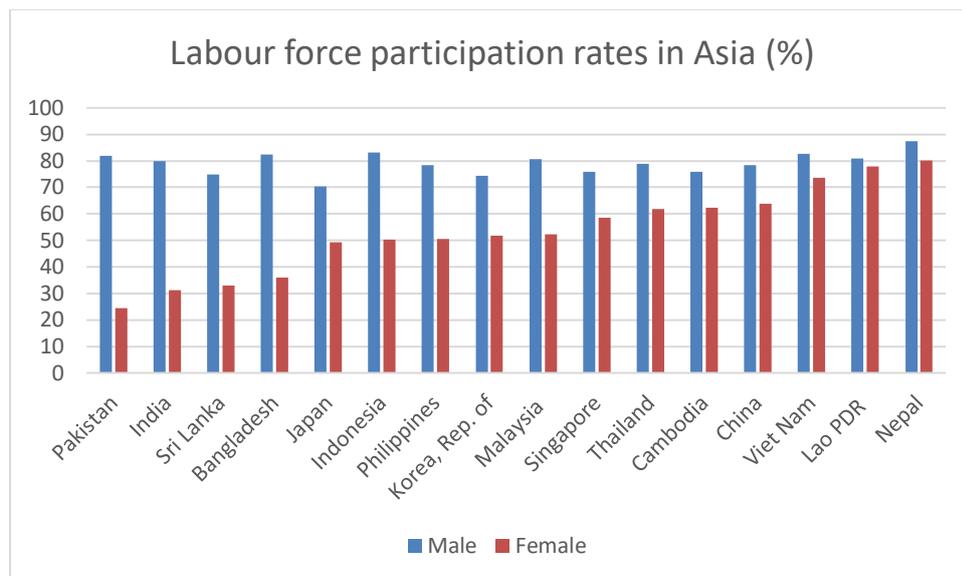
*Two*, equally significant to note is the shortage of skilled labour. India's problem is not just providing employment but increasing the employability of the labour force in India. The problem of low employability levels owing to poor quality of education is accentuated by the fact that fewer students opt for higher education.

According to the Labour Bureau Report 2014, the current size of India's formally skilled workforce is small, approximately 2 per cent. This number contrasts poorly with smaller countries like South Korea and Japan that report figures of 96 and 80 per cent respectively. According to the National Policy for Skill Development and Entrepreneurship 2015, 70 per cent of the 14 million migrant workers are either unskilled or semiskilled labourers. At all-India level around 6.8 per cent persons aged 15 years and above are reported to have received or be receiving vocational training. The poor skill levels among India's workforce are attributed to dearth of a formal vocational education framework, with wide variation in quality, high school dropout rates, inadequate skills training capacity, negative perception

towards skilling, and lack of ‘industry ready’ skills even in professional courses (Labour Bureau Report 2014).

According to the NSDC (National Skill Development Corporation), there is a severe quality gap and lack of availability of trainers in the vocational education and training sector. By 2017, the skill gap within the vocational training sector including both teachers and non-teachers will be to the tune of 211,000. The workforce requirement is projected to increase to 320,000 by 2022.

Three, women’s participation in the workforce remains low.

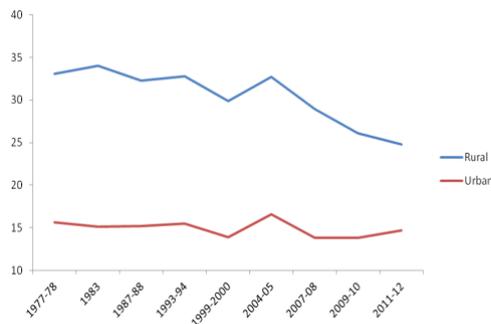


Source: Dasgupta, S. and S. Verick (2016) Transformation of Women at Work in Asia: An Unfinished Development Agenda. ILO/SAGE, Geneva/New Delhi

Women in India only represent 24 per cent of the labour force that is engaged in any form of work in the market economy - compared with an average of 40 per cent globally. At 17 per cent, India has a lower share of women’s contribution to GDP than the global average of 37 per cent, and the lowest among all regions in the world. In comparison, China’s women contribute 41 per cent, those in Sub-Saharan Africa 39 per cent, and women in Latin America 33 per cent.

Among men, the Worker Population Ratio (WPR - ratio of workforce to population) has remained largely unchanged over the past two decades, though it has gone down from 553 per thousand population in 1993-94 to 543 in 2011-12 for urban areas, and increased from 521 to 546 in rural areas. For women, whereas the WPR for urban areas has declined marginally from 155 to 147, the decline in the WPR for rural women is large — a drop from 328 to 248 per 1000 over the past two decades.

**Figure : Percentage of women 15-59 years in India's work force**



There are five commonly cited reasons for the decline in women's work participation rates<sup>19</sup>. One, more girls and women 15-25 years are now students and not in the labour market. Two, with increasing prosperity, many households tend to withdraw women from work outside their homes. Women themselves might not be inclined to work in rural areas because it adversely impacts the status of the family. Three, increasing mechanisation is displacing rural women. For example, farmers in Punjab are switching to mechanical rice transplanters, and combine harvesters are spreading even in Bihar. Four, minor forest products that women used to collect are disappearing, as the preferred forest policy is more timber oriented. And lastly, because of inadequate public transportation, women find it difficult to access non-farm jobs such as in construction and hospitality sector which are not near their residences.

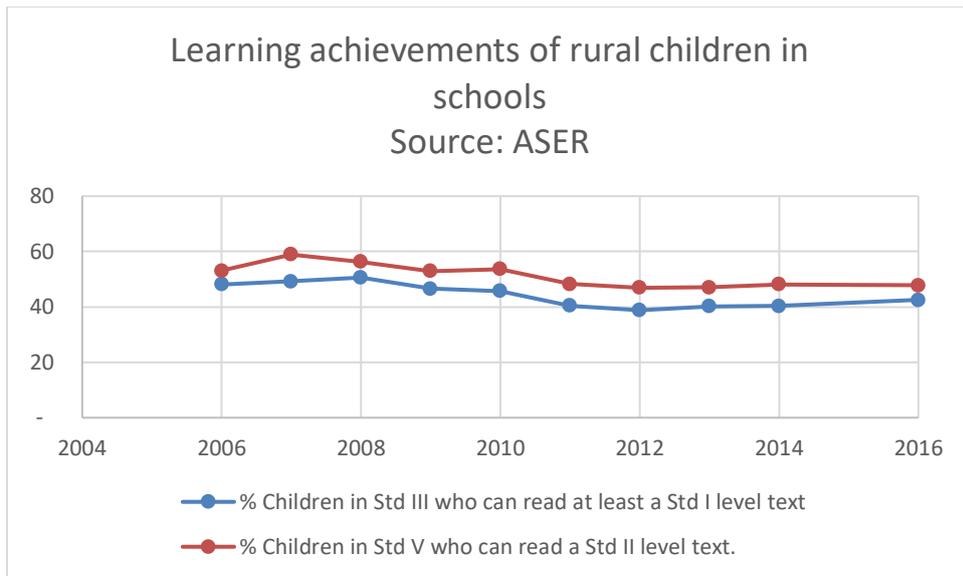
The low levels of women's participation are also stifling India's economic growth. According to a recent report by the McKinsey Global Institute, India can potentially add \$700 billion to its GDP by 2025—upping the country's annual GDP growth by 1.4 percentage points.<sup>20</sup>

**Children do not enjoy universal access to quality education.** Though India has achieved nearly universal primary enrolment, much remains to be done for improving the quality of education and reaching out-of-school children. Though India has made considerable progress in education over the years, there still persist inequalities in access and achievements across regions and populations. There has been perceptible improvement in the education of girls, with the Gender Parity Index becoming favourable at all levels of school education, except for scheduled caste students in higher education and scheduled tribe students at all levels of education, for which special efforts have to be made.

The Annual Survey of Education Reports (ASER) show stagnation in learning outcomes over the past decade.

<sup>19</sup> Dasgupta, S. and S. Verick (2016) Transformation of Women at Work in Asia: An Unfinished Development Agenda. ILO/SAGE, Geneva/New Delhi; NC Saxena, Employment Scenario for the Poor in India:

<sup>20</sup>Jonathan Woetzel, Anu Madgavkar, Kweilin Ellingrud, Eric Labaye, Sandrine Devillard, Eric Kutcher, James Manyika, Richard Dobbs, and Mekala Krishnan, "How advancing women's equality can add \$12 trillion to global growth," [McKinsey Global Institute](http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth), September 2015 accessible at <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>



The National Achievement Survey (NAS) for students in Class X<sup>21</sup> conducted in 2015 reveals that:

- in all subjects, urban students outperform rural students by a large margin
- scheduled caste students consistently score lower than any other category or group of students
- across all subjects, large numbers of states perform below the national average

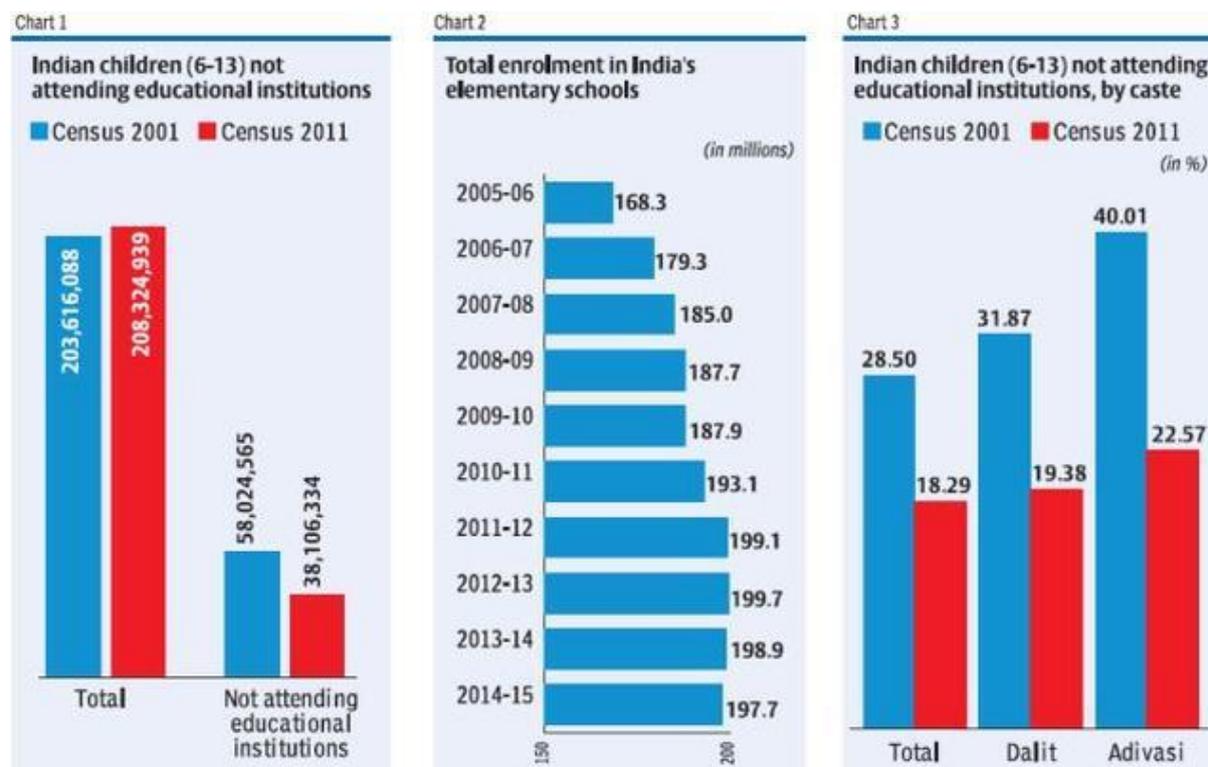
<sup>21</sup> Accessed at

[http://rmsaindia.gov.in/administrator/components/com\\_pdf/pdf/1033b7e6c4660410711f05d7f7ce2474-NAS-Class-X-Summary-Report-2016.pdf](http://rmsaindia.gov.in/administrator/components/com_pdf/pdf/1033b7e6c4660410711f05d7f7ce2474-NAS-Class-X-Summary-Report-2016.pdf)

The NAS also reveals the poor response rates among students in Class X across different subjects

Data on the number of children who are out of school varies enormously. For instance, according to IMRB, in 2001, there were nearly 32 million children 6-14 years who were out-of-school. This number dropped to 13.45 million in 2005-06 and further to 8.15 million in 2009-10. The latest IMRB survey for 2014 reveals further progress. However, despite the Right to Education and Sarva Shiksha Abhiyan, close to 6.06 million children between 6-13 years remain out of school across the country. Of these, 32.4 per cent belonged to the Schedule Caste and 16.6 per cent belonged to the Schedule Tribe communities. Furthermore, 25.7 per cent of the out-of-school children belonged to the Muslim community. In other words, nearly 75 per cent of the children out of school are from Dalit, Adivasi and Muslim communities. Uttar Pradesh had the largest number of out-of-school children (1.61 million) followed by Bihar (1.17 million). According to UNESCO's e-atlas on out-of-school children, close to 124 million children and adolescents worldwide are out of school of which 17.7 million – or 14 per cent – are Indian. Finally, according to Census of India 2011, however, there were close to 38 million children 6-13 years not attending school in 2011. This included 7.1

million dalit and 4.6 million ST children. Alarming, more than 80 per cent of these children had never attended any educational institution.



Equally worrisome is the sorry state of India's higher education system. From 350 universities and 16,982 colleges in 2005-06, the numbers have gone up to 713 universities, 36,739 colleges, and 11,343 diploma-level institutions in 2013-14. The percentage educated however falls progressively with higher levels of education. The gross enrolment ratio (GER) in higher education has nearly doubled from around 11.6 per cent in 2005-06 to 21.1 per cent in 2012-13, with close to 30 million students enrolled in 2012-13 as compared to 14 million in 2005-06. However, there are serious concerns about skill building in higher education, and the huge mismatch between supply with demand with respect to employment opportunities.

**Access to health, and primary health care in particular, is far from universal:** It is well known that despite significant improvements over the past decade, India contributes disproportionately to the global burden of disease, and its health indicators that compare unfavourably with other middle-income countries and India's regional neighbours. Large health disparities between states, between rural and urban populations, and across social classes persist<sup>22</sup>. Close to 60 million Indians are impoverished because of high out-of-pocket health-care expenditures and suffers the adverse consequences of poor quality of care. There are several gaps in the provision of health care in India. India is at the bottom quarter among 188 countries in health performance, standing at 143. India's poor rating has been revealed in a study published by 'The Lancet'. India is placed below Comoros and Ghana in the first

<sup>22</sup> See, for instance, Vikram Patel, Rachana Parikh, Sunil Nandraj, Priya Balasubramaniam, Kavita Narayan, Vinod K Paul, A K Shiva Kumar, Mirai Chatterjee, K Srinath Reddy, "Assuring health coverage for all in India", The Lancet, Vol 386, December 12, 2015.

annual assessment of Sustainable Development Goals (SDG) health performance published in The Lancet.

Child survival remains a serious concern in several parts of the country and among several poor communities. Although India's neonatal mortality rate (NMR) has declined from 52 in 1990 to 28 in 2012, NMR accounts for more than two-thirds (68 per cent) of infant deaths and for more than half (56 per cent) of under-five child deaths.

According to NFHS-4, in 2015-16, the proportion of married women 15-49 years using any modern method of family planning was 47.8 per cent – a marginal decrease from 48.5 per cent in 2005-06. Though there has been a push for temporary methods of family planning, female sterilization dominates and accounts for more than 75 per cent of the modern methods. There has been an insignificant decline in the total unmet need for family planning over a decade – from 13.9 per cent in 2005-06 to 12.9 per cent in 2015-16.

Several factors account for India's poor health record including insufficient public spending on health, poor human resources, shortage of facilities, weak management, limited community participation, and neglect of the social determinants of health. According to NFHS-4, in 2015-16, only 21 per cent of mothers received full antenatal care and 62 per cent of children 12-23 months were fully immunized.

Health is closely related to sanitation and a hygienic environment. The progress in sanitation has witnessed a spurt since the launch of the Swachh Bharat Mission. More than 122 lakh toilets have already been constructed in rural areas since the beginning of the Swachh Bharat Mission (Gramin). It is also imperative that the constructed toilets are maintained and utilized by the beneficiaries to reap the benefits of the Swachh Bharat Mission. The problem of ground water stress will also need to be addressed.

The newly announced National Health Policy 2017 advocates for a progressively incremental assurance-based approach. It envisages providing larger package of assured comprehensive primary health care through the 'Health and Wellness Centres' and marks a shift from selective to comprehensive primary health care package which includes care for major NCDs (non-communicable diseases), mental health, geriatric health care, palliative care and rehabilitative care services. The policy proposes free drugs, free diagnostics and free emergency and essential health care services in all public hospitals in a bid to provide access and financial protection to the poor. It envisages a three-dimensional integration of AYUSH systems encompassing cross referrals, co-location and integrative practices across systems of medicines. Most importantly, the policy proposes raising public health expenditure to 2.5 per cent of the GDP in a time-bound manner.

**The State's capacities – financial as well as human resources - remain constrained.** India's tax-to-GDP ratio is much lower than that of other countries. This is partly because of the small number of tax payers in the country. In a nation of over 1.25 billion people, only 36.5 million individuals filed their tax returns for the assessment year 2014-15. Of these, around half a million reported taxable income of less than Rs 200,000 per annum, and so were not within the tax bracket. Some 2.4 million declared their annual income as being more than Rs. 1

million, and 147,000 individuals declared that they had an income of over Rs 5 million a year. Only around 48,000 Indians reported an income of more than Rs 10 million a year.

Read [http://economictimes.indiatimes.com/articleshow/56201138.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/56201138.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst) more at:

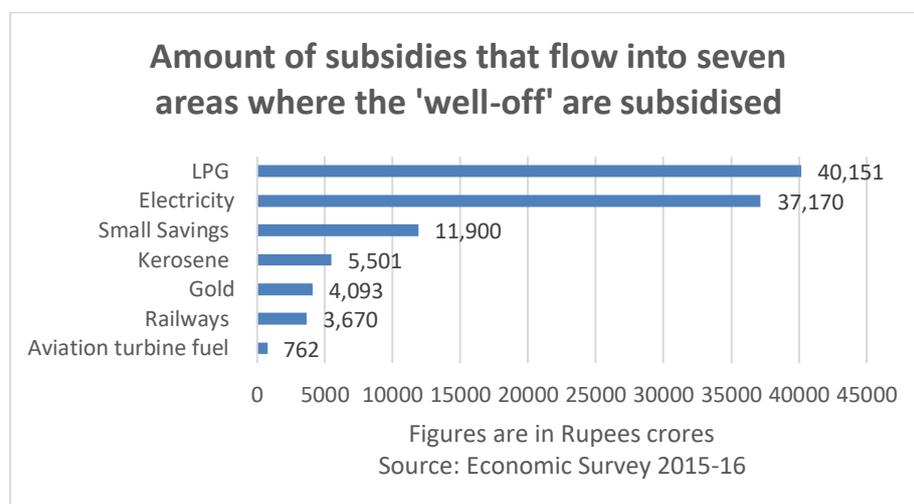
Prime Minister Modi, in his talk to the nation on December 31, 2016 pointed out that there are only 2.4 million people in India who accept that their annual income is more than 10 lakh rupees.

BRICS: Tax to GDP Ratio ( per cent)		
1	Brazil	35.6
2	South Africa	28.8
3	Russia	23.0
4	China	19.4
5	India	16.6

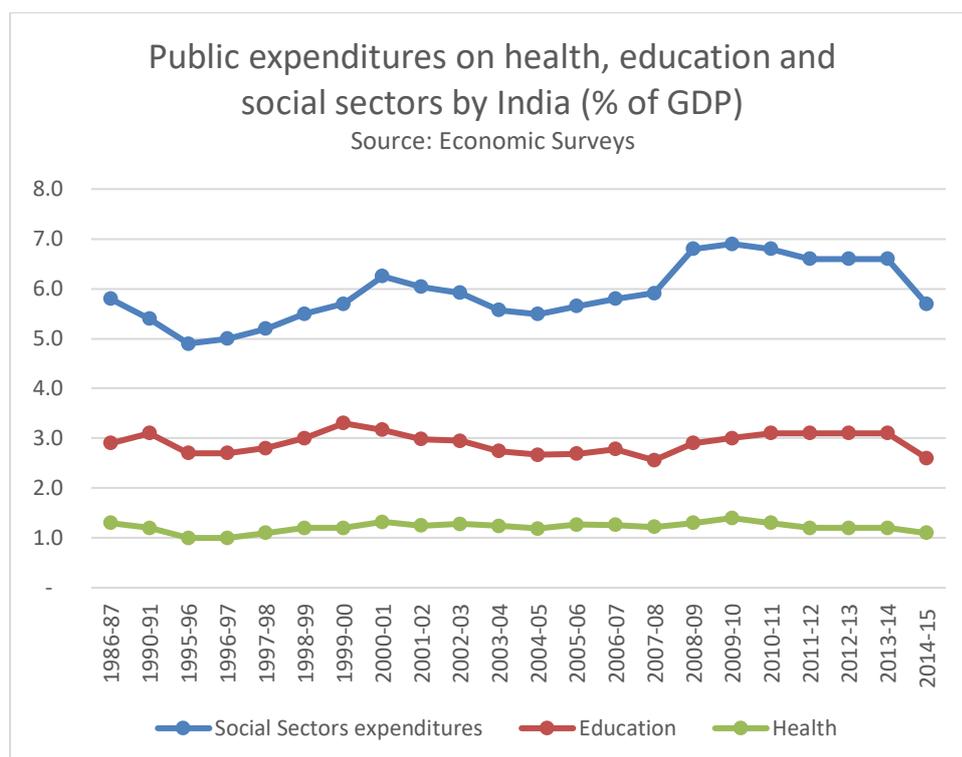
Source: Economic Survey 2015-16

According to the Economic Survey 2016-17, in addition to income tax, the potential to increase revenues from property tax remains largely unexploited. For instance, evidence from satellite data indicates that Bengaluru and Jaipur collect only between 5 to 20 per cent of their potential property taxes.

Compounding the problem is also the fact that, according to the Economic Survey 2015-16, an estimated Rs. 100,000 crores spent on subsidies continues to go to the well-off, not to the most deserving; and tax benefits have not reached the middle class, but the mega rich.



As a result, public spending on the social sectors has stagnated for over a decade<sup>23</sup>.

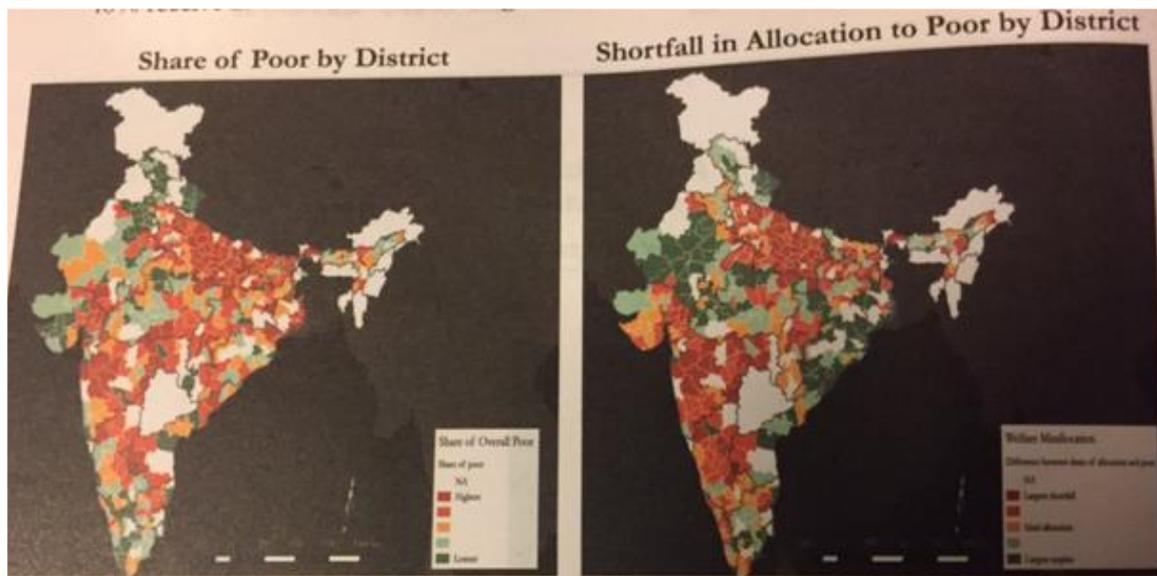


Expenditure on social sectors has hovered between 6-7 per cent for over two decades, and dipped somewhat over 2014-15. Similarly, public expenditures on health and education have also stagnated over this period.

The Economic Survey 2016-17 provides evidence on weak targeting of social programmes. Welfare spending in India suffers from misallocation. The districts with the most poor (in red on the left) are the ones that suffer from the greatest shortfall of funds (in red on the right) in social programs. The districts accounting for the poorest 40 per cent receive 29 per cent of the total funding.

Need to create this graph: Economic Survey p xiv

<sup>23</sup> The Reserve Bank of India includes the following as part of social sector: (i) Public Works, (ii) Education, Sports, Art and Culture, (iii) Health and Family Welfare, (iv) Water Supply, Sanitation, Housing and Urban Development, (v) Information and Broadcasting, (vi) Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes, (vii) Labour and Labour Welfare, (viii) Social Welfare and Nutrition, and (ix) Other Social Services.



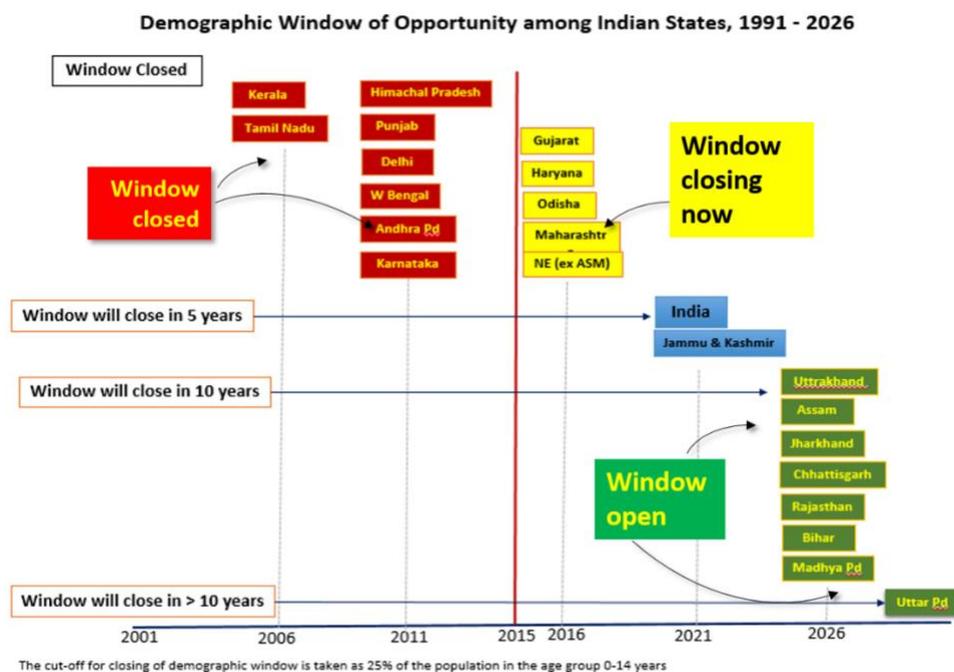
The consequences, according to the Economic Survey 2016-17, are many. First of all, it tends to exclude the deserving poor from access to government welfare benefits, allows for leakages to non-poor, and proves advantageous to corrupt local actors. Second, with many of these programmes, the take-up and effectiveness of targeting tends to be correlated with a state's institutional and implementation capacity. As a result, states like Tamil Nadu and Andhra Pradesh, which do not necessarily have the largest number or proportion of poor, get to avail themselves of the programme to a much greater extent than say Bihar where the incidence of poverty is relatively much higher.

The Economic Survey 2016-17 underscores that the competence and capacity of human resources is extremely limited especially at lower levels of governance. With increasing devolution of responsibility to state governments, such capacity constraints at lower levels pose serious implementation challenges. The monitoring and evaluation capacity of the state to monitor is severely constrained by the absence of sufficiently trained personnel.

**State policies and programmes have not simultaneously addressed multiple inequalities and intersecting deprivations.** In attempting to leave no one behind, strategies should recognize and address inequalities and intersecting deprivations simultaneously. This is because deprivations, discrimination and inequality of opportunities overlap along multiple dimensions. For example, inequalities and discrimination tend to deter access to quality services. As a result, it is often the case that a Dalit family is poor along several dimensions including income, health and nutrition, lack of economic security, access to information, inability to participate, and so on. The relative 'success' of the southern states like Tamil Nadu and Kerala in overcoming deprivations points to the importance of simultaneous actions along multiple fronts—quality health care services, education, women's empowerment, child survival, and reducing human poverty.

**The state and its planning processes have not paid sufficient attention has not been paid to the heterogeneity of India's populations, geographies and contexts.** Given that there are wide disparities in human development across Indian states (see Table xx), it is obvious that a uniform national strategy will not work. The move by the Union government to devolve

more funds and responsibility to state governments is partly in recognition of the differentials in human development. Take the case of capitalizing on India's demographic advantage.



Owing to prolonged declines in fertility in the south during the last two decades, the south is ahead in the demographic transition compared to the north. The demographic window<sup>24</sup> is already shut in some states, whereas in other northern states, the window is wide open. Different approaches and priorities will be needed in each type of states. For example, the priority in 'Open window' states should be to invest in rapidly expanding the availability and access to high-quality family planning services as a way to enable voluntary acceptance of family planning. In the 'Closing window' states, the priority should be to accelerate development by improving skills and enhancing opportunities for young people, especially women. In the 'closed window' states, it is important to prepare for the demands of an ageing population, with small families and working women.

With states, such a disaggregated prioritizing exercise needs to be undertaken at the district level (See Table ), given that different districts are at different stages of transition within the same state.

Demographic Transition seen from a Window of Opportunity Perspective					
	States	Window Open	Window Closing Now	Window Closed	Total
1	Andhra Pradesh	-	4	20	23
2	Assam	11	7	9	27
3	Bihar	16	22	-	38
4	Chhattisgarh	11	3	4	18
5	Delhi	-	3	6	9

<sup>24</sup> Demographic Window is the period in which the working-age population is growing and the dependent population (children & older persons) is small.

6	Gujarat	1	9	16	26
7	Haryana	1	7	13	21
8	Himachal Pradesh	-	-	12	12
9	Jammu & Kashmir	3	16	3	22
10	Jharkhand	14	5	5	24
11	Karnataka	5	6	19	30
12	Kerala	-	-	14	14
13	Madhya Pradesh	31	15	4	50
14	Maharashtra	-	5	30	35
15	Odisha	9	9	12	30
16	Punjab	-	2	18	20
17	Rajasthan	18	11	4	33
18	Tamil Nadu	-	5	27	32
19	Uttar Pradesh	64	6	1	71
20	West Bengal	-	3	16	19
21	Arunachal Pradesh	5	8	3	16
22	Goa	-	-	2	2
23	Manipur	-	-	9	9
24	Meghalaya	7	-	-	7
25	Mizoram	2	4	2	8
26	Nagaland	4	1	6	11
27	Sikkim	-	-	4	4
28	Tripura	1	1	2	4
29	Uttarakhand	1	3	9	13
	Total	204	154	270	628
	Stages of Demographic Transition	Stage 1: High birth rate & high mortality Stage 2 & 3: Either Birth rate is high or child mortality is high Stage 4: Low birth rate, low child mortality			

Source: UNFPA India Country Office calculations. The cutoff for high or low birth or child mortality rates is the mean value derived for all 628 districts (excluding UTs) from Census 2011 data.

#### 4. UNCT Priorities

Looking ahead, the priorities of the UNCT seek to be closely aligned with those of India's development priorities. The long-term vision for India has been best articulated by Prime Minister Modi (see Box) as expanding freedoms and assuring a life of dignity to all Indians as guaranteed in the Constitution of India.

Prime Minister's Vision for India			
Freedom		Achieve	
From	Poverty	to	Prosperity
From	Discrimination	to	Equality
From	Injustices	to	Justice
From	Squalor	to	Cleanliness

From	Corruption	to	Transparency
From	Unemployment	to	Employment
From	Atrocities against women	to	Respect for women
From	Despondency	to	Hope

Niti Aayog's discussion paper titled "Creating a movement for change" recommends the following eight themes as priorities for India:

- 1) Accelerate growth with inclusion and equity
- 2) Employment generation strategies
- 3) Health and education – universal access and quality
- 4) Good governance: challenges and opportunities
- 5) Farmer-centric issues in agriculture and allied sectors
- 6) Swachh Bharat and Ganga rejuvenation
- 7) Energy conservation and efficiency
- 8) Innovative budgeting and effective implementation

Further, NITI Aayog is currently drafting a Nutrition Strategy for implementation across India, including converging schemes addressing malnutrition in various ways as well as improved ways of tracking data and performance.

Government of India has also, since May 2014, announced a number of schemes and programmes to accelerate progress in these priority areas.

Box -1 Major Schemes introduced by Government of India: May 2014 till date			
No.	Name of the Scheme	Launch	Purpose
1	Pradhan Mantri Jan Dhan Yojana (PMJDY)	August 2014	Financial inclusion and access to financial services for all households
2	Make in India	September 2014	Create jobs and skill enhancement in 25 sectors
3	Sansad Adarsh Gram Yojana (SAGY)	October 2014	Socioeconomic, cultural, economic development of 'model' villages
4	Pradhan Mantri Fasal Bima Yojana (PMFBY)	October 2014	Provide insurance cover to rabi and kharif crops
5	Swachh Baharat Abhiyan	October 2014	To fulfil Gandhi's dream of a clean and hygienic India
6	Udaan Scheme	November 2014	Encourage girls for higher technical education
7	National Bal Swacchta Yojana (NBSY)	November 2104	To provide clean environment to children
8	Mission Indradhanush	December 2014	To immunize all children and pregnant women
9	Pradhan Mantri Sukanya Samriddhi Yojana (PMSSY)	January 2015	Secure the future of the girl child
10	Beti Padhao, Beti Bacaho Yojana	January 2015	To protect the girl child

11	National Heritage City Development and Augmentation Yojana (HRIDAY)	January 2015	Scheme being implemented in 12 cities – to be completed by March 2017
12	Prakash Path – Way to Light – The National LED Programme	January 2015	Distribute LED bulbs and reduce power consumption
13	PAHAL – Direct Benefits Transfer for LPG Consumers Scheme (DBTL)	January 2015	To send LPG subsidy money directly into bank accounts
14	Swadesh Darshan Yojana (SDY)	March 2015	Develop world class tourism infrastructure
15	Pradhan Mantri Muddra Yojana (PMMY)	April 2015	Financial support for growth of micro-enterprises
16	Pradhan Mantri Garib Kalyan Yojanaye (PMGKY)	April 2015	Implement pro-poor welfare schemes more effectively
17	Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)	May 2015	Provide universal life insurance coverage
18	Pradhan Mantri Suraksha Bima Yojana (PMSBY)	May 2015	Provide accidental life insurance to all citizens
19	Atal Pension Yojana (APY)	May 2015	Increase the number of people covered under any pension scheme
20	Pradhan Mantri Awas Yojana (PMAY)	June 2015	Achieve housing for all by 2022
21	Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	June 2015	To provide basic services and improve quality of life of the urban poor
22	Smart City Mission	June 2015	To develop 100 cities across the country making them citizen friendly and sustainable
23	Pradhan Mantri Sinchai Yojana (PMSY)	July 2015	Irrigating the field of every farmer and improving water efficiency – per drop more crop
24	Sagarmala Project	July 2015	To transform existing ports into world class ports
25	Namami Gange Project	July 2015	To clean and protect the Ganges river
26	Digital India	July 2015	To deliver government services electronically
27	Skill India	July 2015	To train 400 million Indians in different skills by 2022
28	Deen Dayal Upadhyay Gram Kaushalya Yojana (DDUGKY)	July 2015	Achieve inclusive growth by developing skills and productive capacities of poor rural youth
29	Integrated Power Development Scheme	September 2015	To ensure 24/7 power for all

30	Pradhan Mantri Kshetra Kalyan Yojana (PMKKKY)	Khaniy	September 2015	To safeguard the health, environment, and economic conditions of tribal communities
31	Startup India, Standup India		January 2016	To support all startup businesses
32	Shyama Prasad Rurban Mission	Mukherjee	February 2016	To create 300 rural clusters

It is important to link these initiatives to the idea of a New India by 2022.

The UN in India should plug into this kind of vibrancy and innovation.

The UNDAF for 2017-22 will be dovetailed with India's national priorities, capitalize on these opportunities, and make the most of the comparative advantage of the United Nations.

#### *UN's comparative advantage*

Over the years, the United Nations has established its reputation as a trusted partner of government, private sector and civil society. It brings considerable global knowledge and experience to inform policy and programmes, and support governments in areas where national capacities are deficient. For example, UNDP brings in significant expertise in improving basic services, governance and livelihood empowerment based on ecosystem regeneration, contributing to farm, forest and water based livelihoods for the poor and the marginalized. UNWOMEN brings in the expertise for mainstreaming gender in law, policy, programme and data systems, as well as in convening diverse stakeholders on rights of women farmers. UNICEF and WHO have significant experience in multi sectoral aspects such as WATSAN, health and first 1,000 days approach which are critical to address undernourishment and micro-nutrient deficiencies. Others offer internationally tested solutions, for example, in terms of food, cash and voucher distribution (WFP), research and technology based innovation on improved seeds and crop varieties in agriculture (FAO) and empowerment of communities for improved farming, marketing and micro-finance (IFAD). In addition, agencies like IOM brings in technical support in migration management, providing capacity building in safe and regular labour migration, standard operating procedures for police officers in counter trafficking programmes, and in migration management approach to disaster risk reduction. The UN has also been supporting governments in areas that are not traditional development priorities such as ending violence against women and children, and drawing attention to fulfilling the rights of the transgender community, people with disability, and other disadvantaged groups.

#### *UN priorities*

The United Nations in India is committed to working with Government of India for achieving the country's national vision and meeting its priorities. Accordingly, seven priority areas have been identified for joint actions by the UN, civil society and other development partners. These are:

## Poverty, Inclusion and Urbanisation:

Tackling poverty, inequality and jobless growth in India is also central to global achievement of the Sustainable Development Goals (SDGs) since India accounts for:

- one-third (nearly 300 million people) of the globe's illiterate;
- more than half ( 52%) of the rural population practice open defecation.<sup>25</sup>

Enabling this transformation will require sustained investments in institutions, systems strengthening, and outreach in service delivery that responds comprehensively to education, justice, financial inclusion, welfare and employment challenges that confront the poor in rural and urban areas. Investing in services for vulnerable groups enables social and economic empowerment that sets a direct path towards gender equality, poverty eradication and inclusive economic growth.

The UN shall support the Government of India to achieve

- » More integrated, citizen-centred planning and implementation of programmes at local levels linked to the SDGs<sup>26</sup>,
- » Increased access for vulnerable and excluded groups to entitlements and quality services,
- » Improved access to information about legal rights and opportunities,
- » Prioritize single point of access to services, entitlements, benefits, finance and justice for the poor and the marginalized, for women and young people
- » An integrated social protection system against risks and vulnerabilities across different stages of the life cycle,
- » Increased provision of innovative, digital service delivery solutions, and on-line services
- » Increased access to and ownership of economic assets such as land and loans

**Inclusion, quality education and employability:** The UN shall support the Union and state governments to achieve the national priority to provide a quality education for all children ages 6 to 14 years. Programme cooperation with UN system agencies will focus on:

- Reaching vulnerable and deprived children, and especially children out-of-school in under-served areas
- Adapting international best practices for non-conventional learning and education, and
- Supporting care providers and advocates at community level to demand inclusive, quality education.

Government programmes will be strengthened to expand early childhood care and education, improve teaching and learning practices including life skills education, expand technical, vocational education & training (TVET), support efforts to better align formal

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<sup>25</sup> India: Common Country Assessment 2017. 7th January 2017 Version (p.8)

<sup>26</sup> Strengthening the capacities of local government institutions is an important priority: India's Fourteenth Finance Commission has allocated approximately \$ 30 billion USD to the *Gram Panchayats* as untied funds to be used at discretion to improve service delivery at the local level. A *Gram Panchayat* is the lowest level of local self-government organisation in India. Budget 2016-2017, Speech of Minister of Finance, 29 February 2016. <http://indiabudget.nic.in/ub2016-17/bs/bs.pdf>

and non-formal education with employer and market demands, and strengthen sector monitoring and the targeting and effectiveness of public education spending.

**Good health, nutrition, water and sanitation:** Despite the tremendous progress made to combat infectious diseases and reduce maternal and child mortality, the country faces several challenges including stubbornly high levels of morbidity and mortality due to preventable maternal child illnesses, communicable and non-communicable diseases as well as absence of systems to avert impoverishment due to health expenditures or tackle the health security risks.

The UN shall support the Government to achieve the priorities in the new National Health Policy, including a vision for the sector until 2030. More specifically, efforts will be made to:

- increase investments to tackle emerging priorities of NCDs and risk factors,
- tackle environmental hazards, and
- strengthen the capacity of the health system to provide good quality health services for all Indians without financial hardship
- sustain efforts to strengthen reproductive, maternal, newborn and child health including family planning, and
- confront infectious and neglected tropical diseases.

**Increased skilling, entrepreneurship, and job creation:** The UN shall support the Government to achieve programme priorities for employment, entrepreneurship, and skill development, including national flagship schemes such as *Made in India*, *Skill India*, and *Start-up, Stand-up India*. More specifically, programme cooperation with UN system agencies will seek to:

- support innovative job creation and entrepreneurship strategies and programmes, and ensure that the ongoing structural transformation of India's economy is inclusive of young people, women, migrant workers and other marginalized groups
- strengthen the targeting, quality, and delivery of employment and skills training programmes at State level,
- create a knowledge-sharing platform to support State and local governments, and other stakeholders to share information and scale-up proven strategies and approaches, and
- strengthen the ability of Government, Private Sector and Civil Society actors to enable stronger access of poor producers to factor and product markets

**Stronger food security systems and agricultural productivity, and increased farm incomes:** Recognizing that India's rural-urban divide is being replaced by a rural-urban or *rurban* gradation, the UN shall focus on addressing the livelihood challenges of smallholders in these growing rurban clusters in order to ensure that vulnerable groups are not left behind. Specifically, the UN shall support the Government to:

- enhance efficiency and effectiveness of the safety nets under the National Food Security Act (NFSA)
- support small and marginal farmers to increase farm incomes and diversify their household food basket
- improve household access to food through enhanced sustainable livelihood, purchasing power, with a focus on social protection for vulnerable groups

- strengthen the agriculture and livelihood dimensions of anti-poverty programs, particularly MGNREGA and NRLM; and
- strengthen market linkages for farm producers

**Effective natural resource management, community resilience, and increased energy efficiency:** Given India's commitment to promoting sustainable development, the UN shall support Government in the following areas:

- conservation and management of ecosystems and biodiversity
- increased access to potable water at community level
- effective systems to anticipate and reduce climate and disaster risks in vulnerable and at-risk communities
- the phase-out of HCFC
- effective chemical and waste management
- increased access to affordable and reliable clean energy
- scale up of renewable energy with innovative partnerships, financial models; and
- effective efficiency measures in energy intensive industries and sectors.

More specifically, the UN shall address gaps and strengthen implementation and monitoring, programme cooperation in the following areas:

#### *Energy*

- Contribute to the national target of enhancing access to affordable and reliable energy to all by targeted interventions in at least 35 per cent of 18,000 un-electrified villages
- Enhance energy efficiency in select energy intensive sectors in order to reduce greenhouse gas emissions and contribute to Nationally Determined Contributions (NDC) targets
- Develop innovative partnership and financial models that contribute to achieving at least 10 per cent of 100 GW national targets for solar energy generation by 2022
- Increase in use of renewable energy.

#### *Environment and Resilience*

- Contribute to meeting the national commitments under the United Nations Framework Convention on climate change (UNFCCC) and National Action Plan on Climate Change (NAPCC)
- Integrate climate change and disaster risk reduction into national policies, strategies, planning and programmes
- Contribute to the Aichi and National Biodiversity Targets by ensuring conservation, restoration, and sustainable use of terrestrial and coastal ecosystems and their services by 2020
- Contribute to the implementation of national HCFC phase out management plan
- Contribute to implementation of Sendai Framework for Disaster Risk Reduction by strengthening institutional and community resilience
- Contribute towards strengthening national approaches for chemical and waste management

**Greater inclusion, respect, and justice for women and young people:** Strengthening institutions, systems and services that empower the poor, women and young people is central

to the national priority of inclusive economic growth and the success of the Government of India's nation-building initiatives. It is also instrumental for the achievement of most the Sustainable Development Goals (SDGs). With this in mind, programme cooperation between the Government, UN system agencies, and other partners shall involve advocacy and support for legislative, policy, and programme measures to:

- strengthen integrated citizen centric planning and implementation for multiple SDG impact for the poor
- enable children and their families, especially from poor and vulnerable groups to have access to their entitlements, benefits, finance, information and knowledge, justice and quality government services.
- create an integrated social protection system to provide protection against risks and vulnerabilities across different stages of the life cycle.
- increase provision of digital government services to citizens and strengthen systems by providing innovative, digital, modern service delivery solutions
- ensure the poor, women and youth gain equal access and ownership of economic assets such as land and loans
- recognize and value unpaid care and domestic work, and also engender national data systems to better capture the informal, mobile, often unpaid and multitasking nature of women's work, both productive and care-related
- create and expand opportunities both in public and private sectors, for young people's active social, political and economic participation
- create and strengthen institutional mechanisms for operationalizing gender responsive budgeting at national and state level
- increase significantly the availability of high-quality, timely, and reliable data disaggregated by gender, disability and age, including a focus on data for children and young people from 0 to 24 years, for robust policy and programme formulation, monitoring and learning
- enable protection of children from all forms of violence, abuse and exploitation
- eliminate all harmful practices such as gender biased sex selection, child marriage and female genital mutilation
- eliminate all forms of violence against women and girls in the public and private spheres, including domestic violence, trafficking, and sexual and other types of exploitation

## India and the UN

As India develops and its global role and influence increase, time has come to define a more proactive approach to India's multilateral engagements across a wide range of development, trade and environmental issues. It is foreseen that India will want increased collaboration with various parts of the UN on a select number of issues, where the country feels it can contribute confidently and shape its attitude of solidarity with other developing states and the global agenda. ***The UN can support government efforts in south –south cooperation*** in line with India's development priorities as well as the ongoing reform of the multilateral development, peace and security, humanitarian and human rights architecture. India's increasing support to multilateralism and the UN System is seen as a complement to its bilateral assistance efforts and south-south and triangular cooperation initiatives.

