



- ▲ The State is Back
- ▲ Who's in Charge ?
Worldwide Displacement of Democratic Judgement
By Expert Assessments
- ▲ Giving Credits to Moneylenders !
- ▲ It's called Virtual Water...

development digest

07

CONTENTS

1. **The State is Back** SOCIETY & CHANGE
Sociology of the Verdict:
Is it a New Beginning *by Avijit Pathak*
The State in Popular
Imagination *by Neera Chandhoke*
The Role of State and NGO's
in Southern India *by Vivekanandan*

2. **Who's in charge?** STRUCTURAL
Worldwide Displacement of ADJUSTMENT
Democractic Judgement
By Expert Assessments *by Steve Rayner*

3. **Giving Credits to Moneylenders!** STRUCTURAL
Moneylender's Positive Image: ADJUSTMENT
Paradigms and Rural
Development *by Shishir Sharma, S Chamala*
Moneylender's Postive Image:
Regression in Development Thought
And Policy *by Pallavi Chavan*

4. **It's called Virtual**
Water... *by Sowmya Kerbart Sivakumar* STRUCTURAL
ADJUSTMENT

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This digest features important articles on development and social transformation in order to reach those working in the field and not having knowledge of these documents. It is aimed at promoting further reading of the originals, and generating public debate and action on public issues. The articles are compiled and edited for easy reading and comprehension of the concepts, and not so much to reproduce the academic accuracy of the original texts.

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The State is Back

The conception of the State is being contested across the globe. The dominant discourse pushes for a ‘receding State.’ This has received gleeful welcome, especially from the local elite in developing countries. They have used the groundswell against ineffective mediocrity and mismanagement (by these very elite) to paint a black picture of the State itself.

But it has become very clear that the State is only receding from its social obligations to the vast majority of its citizens, especially the marginalized and the increasingly impoverished. It still acts as provider for the very same (market) institutions and (capital-rich) classes that pay fanatical lip-service to the primacy of the market, but use the state to corner resources for themselves.

There is a backlash to the practice of a ‘receding State’. The people of Venezuela and Brazil and now, the people of India too have made their choices known.

Avijit Pathak sees in the recent electoral verdict in India the articulation of the need to reinvent the welfare state, and to strike a balance between meaningful privatisation and vibrant public enterprise.

For **Neera Chandhoke** the feedback is that the state remains central to individual and collective life, despite all the changes that have been effected through the practices of governance. Whatever the powers that be and their varied supporters may opine, the popular perception of the State remains unchanged. And in a democracy that choice must prevail.

V Vivekanandan looks at ambiguities and contradictions that dominate the discourse relating to the State, especially in South India, with a special focus on Kerala. These ambiguities contaminate the perception of the role of Civil Society, predominantly understood to mean the NGO. Vivekanandan calls for a concerted effort by Civil

Society to redefine the role of the State, and as a corollary, to articulate the nature and role of Civil Society itself.

Sociology of the Verdict: Is it a New Beginning? Avijit Pathak, *Deccan Herald*, May 25, 2004. <http://www.deccanherald.com/deccanherald/may252004/top.asp>
[C.ELDOC6008664]

The State in Popular Imagination, Neera Chandhoke, *The Hindu*, 06 April 2004.
<http://www.hindu.com/2004/04/06/stories/2004040601971000.htm>
[C.ELDOC1073957]

The Role of the State and NGOs in Southern India, V. Vivekanandan, by email, May 2004. [C.ELDOC



Sociology of the Verdict: Is it a New Beginning?

Avijit Pathak

Indian democracy, as its recent experimentation suggests, is remarkably powerful. It resists all manipulative designs, alters the status quo, and reminds us of the need for a new beginning. Before we begin to celebrate its immense potential, there are, however, two points of caution we should not lose sight of.

First, even when the voters have demonstrated their penetrating insight, one should not be tempted to romanticise the act of voting right. Because, as history shows, the same voters can elect communalists, semi-fascists, corrupt manipulators and even criminals as their representatives. And herein lies the second point relating to the structural limits of the practice of representative democracy. A voter, it should not be forgotten, often feels helpless. He or she is almost compelled to choose the so-called 'lesser evil', and this choice, as a result, is not necessarily an act of positive affirmation, but often an expression of anger and rejection. There is no way we can escape from the reality of 'negative voting'.



Yet, as we have indicated, these shortcomings notwithstanding, our democracy is endowed with immense possibilities. In fact, as the recent verdict conveys, there are three distinctively meaningful social messages. If we really learn and internalise the implications of these messages, we can take our democracy to a higher level of maturity.

The first message is cultural. It reveals what is enduring about this old and vibrant civilisation: its spirit of assimilation, synthesis and tolerance. This is indeed remarkable. Even today many advanced democratic nations have not been able to demonstrate this wisdom, courage and catholicity. But for us, it is quite natural and spontaneous, because it is the way our civilisation has been evolving. It invites and accommodates. It does not exclude and reject. The politics of cultural exclusion, however, sought to make us narrow, blind and parochial. Despite poverty and hunger, it has an expanded heart that embraces everyday.

Folk wisdom

The second message is about folk wisdom. No hidden persuader, no propaganda machinery can paralyse it completely. This time we saw what could be regarded as the Pramod Mahajan style of corporate campaigning. It had two components — a) it created a hyper-real world in which the image of a 'Shining India' reigned supreme, a world filled with technological gadgets, express highways, sensex miracles and disinvestment wonders, and b) it used technological experts to propagate political messages; in other words, it privileged technology over politics.


But then, as the verdict demonstrates, the projection of politics as a 'feel good' ad has failed to work. Because people with their characteristic folk wisdom could see the depthlessness in this design; they could see the story of the other India they experience everyday: farmers committing suicide, people without jobs, schools without blackboards, and villages without drinking water. Folk wisdom has indeed demythologised technology.



The third message is related to the second one. It shows that the welfare state in India cannot be thrown into garbage. It has to play a constructive role, particularly when 600 million people continue to have problems relating to employment, health, education and shelter, and without social security economic globalisation is likely to cause tremendous insecurity and instability in society.

It is really sad that since the days of 'economic reforms' the agenda of the welfare state has been retreating; distributive justice, fulfillment of basic needs, and people's state — these ideals were almost forgotten in the name of what Arun Shourie would have regarded as the historic need of 'disinvestment'. **But then, the verdict seems to be telling us that there is a need to reinvent the welfare state, and we must establish a balance between the economy and politics, market and state, meaningful privatisation and vibrant public enterprise.**

It needs to be seen whether the new government learns from these messages, and accordingly.

Would it be a new beginning? Or, would it be, as cynics argue, the same old story of rivalry, factionalism, betrayal and broken promises? 

The State in Popular Imagination

Neera Chandhoke

It is the state that is central to individual and collective life, despite all the changes that have been effected through the practices of governance.

THE TENTH Plan suggests that given market liberalism and globalisation, the state should yield to the market and the civil society in many areas where it, so far, "had a direct but distortionary and inefficient presence ... many developmental functions as well as functions that provide stability to the social order have to be progressively performed by the market and the civil society organisations. It means extension of the market and civil society domain at the expense of the state in some areas." The Tenth Plan accordingly recommends that the role of voluntary organisations, non-profit making companies, corporate bodies, cooperatives, and trusts be strengthened in social and economic development. The Plan in effect deepens the thrust that had originally been initiated by the Seventh Five-Year Plan towards reliance on the voluntary sector as an agent of social development. The Ministries that subsequently came to rely heavily on NGOs (non-governmental organisations) are those of rural development, health and family welfare, social justice and empowerment, human resource development, and of environment and forests.

Governance – 'off loading' responsibility

The 'off loading' of welfare services, which were for long seen as the responsibility of the democratic state, is part of what in contemporary parlance is called 'governance'. The concept of governance has attracted

The State in Popular Imagination, Neera Chandhoke . *The Hindu*, 06 April 2004.

<http://www.hindu.com/2004/04/06/stories/2004040601971000.htm>

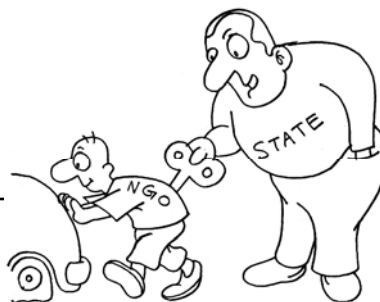
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a fair amount of acclaim from theorists and political practitioners in recent times. For the practices of governance promise an exit from centrally controlled bureaucratic, hierarchical, and overloaded structures of decision-making, which are judged inept simply because they are unable to act either quickly or efficiently. On the other hand, NGOs are seen to possess certain virtues: they are relatively unburdened with large bureaucracies, they are more flexible and more receptive to innovation than government officials are, and they are able to identify and respond to the needs of the grassroots because they are in close touch with their constituencies.

However, the concept of governance has also managed to generate considerable doubt in other theoretical quarters. What for instance has happened to the state or at least the state as we have come to be familiar with it for much of the 20th century? For governance gestures towards the *decentering* of what used to be a single locus of authority and legitimacy — the state. Many scholars seem to agree that the state has either been hollowed out or that it has disappeared. The question that perhaps is significant for democratic theory is: what does the ordinary citizen think of the practices of governance? Today, the citizen is presented with a number of agencies that are in the business of delivering services and solving problems, from water harvesting to training people for local self-government.

Has all this – off loading’ - served to dislocate the `welfarist’ state from the centre of political imaginations?

The answer to these questions is perhaps best elucidated through reflection on some of the findings of our research project on



'Rights, Representation, and the Poor' that was conducted in Delhi in 2003. The project surveying 1401 citizens across different categories of residential settlements in the city-planned colonies, unauthorised regularised colonies, unauthorised unregularised colonies, and *jhuggi jhopris* (J.J.) and slums, seeks to foreground the voices of those *who are governed*, rather than concentrate on those who are engaged in governance.

The findings are of some interest. For instance, in response to the question of who is responsible for meeting people's basic needs, the majority of our respondents answered that it is the *government's responsibility to do so*. And this even if meeting basic needs was not identified as a personal problem for the respondent.

Therefore, even though only 13 per cent of the people who live in planned colonies identified basic needs as a big or one of the biggest problems for them individually, 80 per cent of the same constituency was of the opinion that it was the government's responsibility to meet basic needs. Equally, whereas 45 per cent of the residents living in unauthorised, unregularised colonies opined that meeting basic needs was not a problem for them, 83 per cent believed that the government was responsible for meeting basic needs, the corresponding figures being 72 per cent of the population who live in unauthorised regularised colonies, and 83 per cent of the residents who live in J.J. colonies, and slums.

When it came to problem solving, the respondents were asked who they usually approached: a 'big man' that is caste, religious, and regional leaders, whether they approached the judiciary, whether they solved the problems on their own, whether they had ever participated in demonstrations, public protest, or other forms of direct action, or whether they had approached the government to help them. Our findings show that whereas 28 per cent of the respondents had approached political parties to solve their problems, only 2 per cent had approached the judiciary, only 9 per cent had approached 'big men' for

help, hardly 10 per cent had resorted to direct action, and 17 per cent had engaged in self-provisioning action.

The largest percentage of our respondents, that is 36 per cent, had approached the government directly. The variation across colonies is not much in this respect; 40 per cent of the respondents in the jhuggi jhopris and slums, 35 per cent of the inhabitants of the unauthorised unregularised colonies, 32 per cent of the residents of the unauthorised regularised colonies, and 35 per cent of the residents of the planned colonies normally approach the government for resolving their problems. Out of this number, less than one per cent had approached the government through their party representatives. About 75 per cent of the 36 per cent who had approached the government said that they had taken the help of their acquaintances and family to do so. Not a single person had asked the NGOs for help in approaching the government.

The state, it is evident, continues to loom large in the collective imagination when it comes to providing the basic conditions that enable people to live a life of dignity. It is the state that is central to individual and collective life, despite all the changes that have been effected through the practices of governance. This calls for some explanation.

Why do people continue to repose hope in a state that has after all been found wanting when it comes to the delivery of the basic conditions of human well-being?

India's position has after all slipped from 24 to 127 in the Human Development Report 2003, and though the proportion of people living on less than \$1-a-day has declined from 42 per cent in 1993-94 to 35 per cent in 2001, 40 per cent of the world's poor live in India. Widespread malnutrition, poor infrastructure in the area of health, and high mortality rates among the poor and *Dalits* make the health scene a grim one. The country has the world's highest number of hungry people, that is 233 million despite huge buffer stocks of food. The government's

record in providing services-sanitation, clean drinking water, electricity, housing, and jobs is even bleaker.

Yet it is clear that across the board, citizens continue to have high expectations of the state despite the fact that the government has begun to delegate more and more of its responsibility to civil society organisations. Why?

Perhaps the image of the 'Nehruvian' state as the repository of public interest is still embedded in the popular consciousness despite all changes in the nature of the state.

The second reason lies in the realm of accountability. It is just not clear whom the NGOs are accountable to: their clients, the government, multilateral funding agencies, or northern NGOs who also fund them. When welfare functions become the business of organisations, some within the state, some outside, upon which agency does the mantle of responsibility fall? It is after all easier to hold the state accountable than voluntary agencies, which have made their appearance on to the scene of service delivery. And accountability does lie at the heart of democratic theory.

The general consensus today is that the state is the problem. Instead of trying to make the state deliver what it has promised through constitutions, laws, and rhetorical flourishes, policy makers would rather establish a parallel system, which can substitute for the state in areas of service delivery.

And yet one significant factor inhibits the legitimisation of this plan, the fact that ordinary citizens, as the responses to our questionnaire show, repose little hope in the ability of civil society agents to negotiate their problems. They would rather fix responsibility on the state➡

The Role of the State and NGOs in Southern India

V. Vivekanandan

In recent times, the role of the State has been debated in the context of the Liberalisation, Privatisation, Globalisation (LPG) process. While there is no real consensus on the changes taking place, very clearly the leftist view, which seems to be shared by most NGOs (especially "issue-based" NGOs), is to fight the perceived weakening of the state and its withdrawal from many spheres and the entry of private corporations into those spheres.

While I think most might today be ready to agree that the Government has no reason to run hotels, there is still no consensus on privatisation of many public sector undertakings (PSUs). However, through a combination of globalisation pressures, lack of public funds, and a new ideology embraced by the elite and the middle class, the role of the State/Government is changing slowly but surely. The role of the State in welfare and social services is another area of confusion. Very clearly the State still has a major role to play in promotion of education, health and social security. However, the quality of the State services is declining and gross inefficiencies are noticeable.

Is the answer to this problem to be found in making the State systems more efficient through transparency, decentralisation and people's participation?

Or is it to be found in handing over tasks to NGOs and other non-State actors?

In the development arena, the debate is somewhat muted as the role of the State is somehow considered the key by all. Along with promotion of the private sector and the opening up of the economy, the state and

central Governments in India are implementing a number of poverty alleviation programmes.

The more funds the State pumps into poverty alleviation, the less useful it seems. Those who work in the field can observe the distortions created by virtually all subsidy schemes, as there is every reason for the politicians to use them for vote bank building.

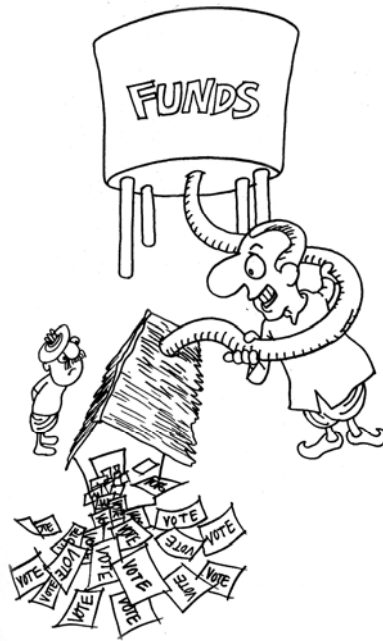
Appropriating Civil Society Spaces

In the southern states, which have much diversity, there is also much that is in common. I find many interesting patterns in strategies for poverty alleviation.

For instance, Kerala and Andhra have *Kudumbashree* and *Velugu* respectively. In both programmes, the Government has taken up NGO-style interventions, mobilising poor women into SHGs and promoting micro-credit and micro-enterprises.

In both, the Governments are working in competition rather than collaboration with NGOs.

There are differences however. In Kerala, the *Kudumbashree* works through the *Panchayats* while *Velugu* in Andhra bypasses the *Panchayats* also. In Tamil Nadu, the Government has adopted a different strategy. It promotes NGO intervention through SHGs by providing financial support to NGOs in a stereotyped scheme that turns



NGOs into "sub-contractors" and leads to a mushrooming of such NGOs.

I am not too familiar with the Karnataka situation where the Government is a recent entrant into the SHG business through *the Sthree Shakti* Project of S.M.Krishna.

Generally, it also creates conditions for state-sponsored SHGs to act in competition with NGO-sponsored SHGs. However, till recently, the Karnataka Government has not put major finances into the programme and hence the competition between NGOs and the Government is not as severe as in Kerala and Andhra.

In the southern states, the driving force seems to be populism that is the result of highly competitive politics and the pressure to show results, along with a lack of creativity. The Governments just latch on to anything new from the NGO sector and appropriate it in their hurry to 'deliver' development to the masses. Many a time the consequence is the disruption of NGO work that was developed painstakingly over a long period.

New Forms of Civil Society

The development of the civil society and the NGOs is also perhaps stronger in south India and there is reason to seriously consider whether civil society should play a larger role with the State moving out of many areas or modifying its role.

The emergence of Residents' Associations in the major urban areas of Kerala is an interesting example of new civil society organisations. All areas of the city are now self-organised into residents' associations that voluntarily undertake a number of activities for



common benefit. Only now the political parties are waking up to the new reality and are trying to infiltrate into these associations and their federations.

Kerala: Limits to the Welfare Model

Kerala's famous development model, which has delivered high human development and lowered poverty rates considerably, is facing a major crisis. The welfare-oriented governance is running out of steam due to a number of reasons.

The various state services including education and health have deteriorated due to a poor work culture, corruption and political interference. The transfer of control over a number of line departments to the *Panchayati Raj* institutions was intended to overcome this problem by giving the locals a stake in the management of Government institutions and services. Unfortunately, this has not clicked so far and the various services remain somewhat inefficient.

Finance to ensure the smooth functioning of the various welfare and social services is also a constraint given the limited tax base and the relatively large size of the Government.

Finally, with more people moving out of poverty, the relevance of maintaining a large public infrastructure for social welfare is being questioned. It often appears that maintaining jobs in the public sector is the rationale rather than the actual needs of the local population.

While the better-off can perhaps take care of themselves due to the increased availability of private sector services (schools, hospitals, etc.), the poor and the lower middle class do suffer from the decline in the quality of public services.

The fisherfolk and tribals continue to be distinct populations outside the mainstream with lower human development indices.

As far as the scheduled castes are concerned, though part of mainstream politics, they continue to lag behind in development. However, the peculiarities of Kerala politics have ensured that they have not emerged as a separate political group.

The NGO Role

The importance of the State in development in Kerala has meant that historically the NGOs have had a limited role or opportunity. Since the political system is highly responsive, it latches on to every new NGOs' idea that shows potential for success.

While various types of collaboration or co-existence are possible, the political system does not opt for such solutions and there is often unnecessary competition.

The NGOs are also weak in their ability to influence policy and come up with policy prescriptions to solve the many problems afflicting the state. They are more concerned with micro level interventions and have very little to offer at sectoral levels.

In conclusion, Kerala is in an interesting phase of its development wherein the earlier State-centred development paradigm is no more viable.

However, the increased role for civil society, which should be the logical corollary, is yet to be understood or appreciated while the NGOs continue to struggle despite their increased relevance.

For me, the residents' associations of Kerala offer a number of insights. I can see how in the developed countries like the US, local households got together to form their own systems of governance and then merged with other similar groups to form the towns, cities and states. This was clearly a bottom-up process of evolution of democratic governance.

However, in India we had for many historical reasons to go for a top-down imposition of democratic structures. As a result, we have a dual system in operation everywhere. On the one hand, we have informal and, at times, formal organisations that actually represent the people's own urges.

On the other hand, we have the formal state-linked systems of governance starting from *Panchayats*. In Kerala, the much touted *Panchayati Raj* intervention is an interesting example of how instead of people taking over local governance, it is just perceived as the Government coming closer to the people. The "we" and "they" syndrome is still very much in place.

Panchayati Raj is less about local self-government and more about deciding on whom the subsidies should reach.

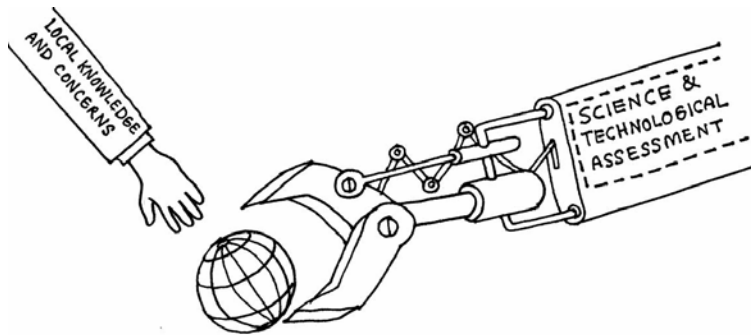
There is obviously a lot that one can say about the State and its changing role in India.

We need to work out over time a civil society position on the role of the State in India.▶

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Who's in Charge? Worldwide Displacement of Democratic Judgement By Expert Assessments

Steve Rayner



Some four decades ago, Jacques Ellul (1964) published a classic work of science studies that warned of the dangers of technocracy displacing democracy in modern society. His concern was not the isolated alarmism of a mid-20th century European intellectual. His alert came on the heels of a warning by one of the century's hardest headed American realists, Dwight D. Eisenhower, who, upon his retirement as US president issued his famous caution to beware of the growing power of the military-industrial complex and what it might portend for democracy.

Who's in Charge? Worldwide Displacement of Democratic Judgment by Expert Assessments? Steve Rayner, *Economic and Political Weekly*, Vol 38. No. 48 November 29, 2003.

<http://www.epw.org.in/showArticles.php?root=2003&leaf=11&filename=6563&filetype=html> [C.ELDOC6008425]

In the four decades since Ellul's warning that technocracy was depoliticising society. Governments on both sides of the Atlantic have made increased use of benefit-cost analysis to justify a wide range of public policy decisions. In fields where science promises useful input to decision-making, there has been an increased reliance on a variety of techniques, such as probabilistic risk analysis, pollution dispersion models, urban planning models, traffic-flow models, dose-response curves, and so on. International negotiations on trans-boundary environmental issues, such as climate change, rely heavily on models of emissions, atmospheric chemistry and dynamics, and climate impacts.

Internationalisation of Assessment

The Age of Assessment is not a phenomenon confined to the wealthy industrial countries. A common vehicle for their extension into the less-industrialised world has been the operation of international development aid programmes, particularly those of the World Bank. In many parts of the developing world, technical needs assessments, benefit-cost analyses, and environmental impact analyses, usually performed by consultants from the donor countries, are likely to play a bigger role in shaping the people's lives than the operation of their local and national institutions of, hopefully democratic, governance

Issues of technology transfer and the promulgation of developmentally appropriate technologies often echo, on an international scale, the kinds of debates that we associate with controversial scientific and technical innovations and practices at home, and often pit experts against experts and against wider interests in society. In some cases, however, the alliances and allegiances that dominate the development discourse challenge conventional assumptions about the role of various stakeholders in domestic debates.

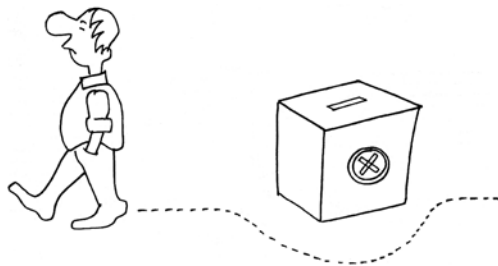
For example, international environmental negotiations often pit northern scientists, governments and NGOs, acting in the name of a global sustainable development agenda that is heavily informed by the earth

sciences, against southern governments and citizen organisations, whose concept of sustainable development is focused on more local needs and local knowledge. Opposition to the World Trade Organisation is at least partially rooted in resistance to global cultural homogenisation, which is propelled by the universalisation of scientific and technological assessment that usually trumps local knowledge and concerns, as much as it is driven by financial forces. Thus, in both the North and the South, science, rather than society shapes the agendas for science-in-society debates.

Electoral Decline in the Age of Assessment

The growth in governmental reliance on expert techniques and formal decision-making technologies in all walks of public life has been accompanied, over the same period, by a disconcerting decline in electoral participation in many industrialised countries, especially Britain and the United States [Dalton and Wattenberg 2000]. This decline is

puzzling to the dominant model of political participation in political science, the civic voluntarism model, which predicts that voter turnouts will increase as educational



opportunities expand and incomes rise [Parry et al 1992; Verba et al 1995]. Is it possible that the concatenation of rising demand for evidence- and science-based policy and the displacement of moral judgment from the public sphere could have something to do with the decline of electoral participation? Whereas most citizens feel that they are competent to judge whose moral or aesthetic values appeal to them, they are less confident in their competence to second-guess technical expertise.

Where once, citizens voted for candidates based on assessments of their values, such judgments have become marginal in importance and much harder to make. Technocracy is clearly an important aspect of the drift to the centre in both US and UK politics. On the one hand, the dominance of technique appears to reduce the scope for political differentiation, which comes to be seen as deviation from a technically defined reality. At the same time, if the decision is to be based on purely 'technical' criteria, what difference does it make who is in charge? Such reasoning suggests that it is not worthwhile participating in electoral democracy. "It doesn't matter who you vote for, the government always gets in!" Where once statesmen based decisions on some idea of the good, politicians and businessmen now look to technical experts to inform decisions.

Public Consultation and Participation

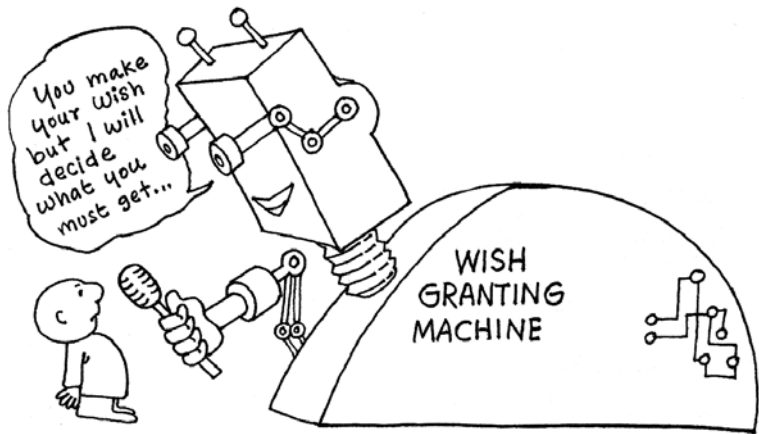
The ideal of involving different perspectives and values of interest groups has been a central theme of technology assessment almost since its beginnings [Carroll 1971; Coates 1975; Paschen et al 1975] although through most of the first decade it was more of a principle than a practice. The Technology Assessment Bureau of the German parliament established the practice of stakeholder evaluation of controlled confrontation of expertise and counter-expertise. However, this remained a highly mediated technique.

All of these techniques attempt to equip groups of citizens to make informed decisions about issues involving complex science or technology. The best of them also seek to enable scientists and policy-makers to better understand the origins of citizen concerns. Some particularly interesting innovations have confronted citizens with technical expertise embodied in computer models that enable individuals and focus groups to specify and compare alternative environment and development scenarios [eg, Robinson 1998; Darier et al 1998]. The assumptions underlying all of these approaches to public participation are that it leads to better decisions through transparency

and that expertise can and should be harnessed through the exercise of the popular will of citizens.

A perspective on citizenship as emergent solidarity suggests a view of democracy that emphasises the capacity of citizens to actively participate and engage in the discourses that affect their lives [Pateman 1970]. Locating the concept of citizen and consumer in emergent solidarities differentiates democratic governance in which citizens themselves determine the institutional forms and shape the terms of the debate from mere participatory management, which permits rational debate only within received expert framings. The theory of democratic governance also stresses that citizenship is a dynamic learning process that creates and enhances citizenship capabilities [Sirianni and Freeland 2000: 23].

However, little of this kind of thinking about citizenship seems to inform official or even social science thinking around issues of science and technology. Much of the debate about participation and deliberation in technology assessment and science policy has relied upon rather



traditional notions of stable, not to say static conceptions of the public, community, state, knowledge, and interests that do not challenge

dominant managerial perspectives. Whatever the motivations for supporting participatory exercises in science and technological decision-making, the most common explicit justifications offered in support of the widespread employment of formal assessment techniques are that they promote efficiency and transparency.

Efficiency Rationale

As an explicit value to guide decision-making, the concept of efficiency was almost unknown in commerce or government prior to the 18th century. It arose alongside the practice of commercial accounting for the stocks and flows of goods. The extension of this practice to government was the emergence of statistics – literally, measurement of the state. It was but a short step from the idea that one could calculate “what would contribute to the greatest happiness of the greatest number into the imperative to pursue that goal. The solution that provides the greatest happiness of the greatest number must also be an efficient solution, since any departure from efficiency, also by definition, reduces the amount of good available for distribution” [Rayner and Malone 1998: 60].

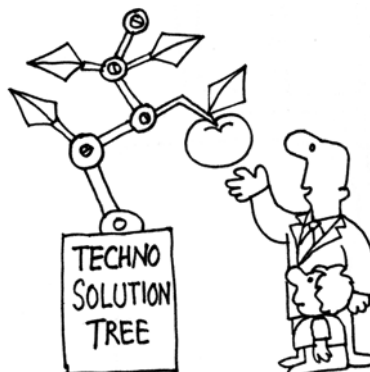
The same process systematically attenuates decision-makers’ awareness of alternative ethical considerations. The imperative to provide for societal good at the highest level of aggregation provides no guidance for securing the happiness of minorities and individuals, even those individuals in the happy majority. “The guiding criterion for policy is the greatest good for society, quantitatively defined. But contemporary utilitarians, primarily economists and theorists of public choice, like Bentham, still have no principle for distributing this social good according to manifest principles of equity” [Heineman et al 1990: 40].

Increasing insight into the diversity of motives, values and preferences of individuals actually tends to frustrate utilitarian social accountancy, which depends on blending out such distinctions in the process of aggregation. “Most utilitarians assume, like the politics of interest, that the sole legitimate basis of social good is what individuals happen to

value. And they view the process of social choice as an aggregative one, in which individual preferences are added to one another in arriving at decisions on the substance of social welfare” [Heineman et al 1990:71].

It is hardly surprising therefore that insights into individual and social diversity are not merely considered irrelevant to, but actually have to be excluded from utilitarian decision-making in order to preserve the rationality and legitimacy of the utility principle.

Yet scientific, environmental and technological decisions are not oriented by a unique consistent value system. Even a single individual may be influenced by several value systems that contradict each other [Jaeger et al 1998].



Ironically, just as technical criteria have increased in prominence for public policy decisions, the past half-century has been one of increased recognition of cultural diversity, much of it driven by and justified by reference to the postmodern movement in social science. At its best, this recognition has taken the form of greater appreciation of variety among value systems and the need to understand the diverse sources of concern that people have about public policy decisions.

However, a darker side of the recognition of diversity has emerged as the idea that because values are so diverse, the only way to make sound policy is to exclude explicit consideration of diverse values from policy debates altogether. It supports the idea that policy can only be based on technical criteria that are somehow believed to be objective and independent of all value systems. This drives valid differences in values underground. Debate is conducted in the idiom of independent

science, even when the issues at stake are not really scientific at all. For example, the view that it is simply wrong or a violation of the divine pattern of creation to engage in genetic manipulation receives no standing in courts, legislatures or the WTO. Someone of that conviction is forced to frame his or her arguments in terms of the potential for tangible harm.

Transparency Rationale

Transparency is the other plank of justification for the ubiquitous adoption of formal assessment techniques. Interestingly, whereas critics who invoke other values such as individual equality or natural rights often contest the technocratic utilitarian value of efficiency, the principle of transparency seems to have been almost universally embraced.

A classic defence of benefit-cost analysis is that it is surely better to make the various dimensions in decision-making explicit so that they can be reviewed for completeness (Are all of the appropriate issues taken into consideration?) and are subject to scrutiny than it is to take decisions based on implicit, partial, or intuitive understandings. Surely no one would argue against the idea that consequential decisions should be made on a thorough examination of all of the relevant evidence that is available. The difficulties arise where there is disagreement about what is relevant and what counts as evidence. These difficulties are compounded by the reduction of incommensurable values to a single metric that permits the bottom-line benefit-cost ratio to be determined [Self 1975]. The problem is further exacerbated when the original values of some of the non-marketable items in the calculation had to be inferred by surrogate techniques, such as willingness to pay or contingent valuation.

Benefit-cost analysis represents the aggregation of incommensurables in monetary terms. Another form of such aggregation takes the form of risk assessment, in which a diverse range of technical and social considerations are reduced to the common metric of 'risk', usually expressed as the probability of mortality. Like efficiency, risk is a

modern invention of western thought that serves the Benthamite calculation of aggregate social welfare. In earlier times and in non-western traditions today, danger is specific, embedded in particular objects or activities, and quite different from the abstract universalisable concept of risk. The discourse of governance is reduced to a discourse of science. The discourse of science is reduced to risk. Thus, the whole business of governance is reduced to a discourse of risk management.

But, societal disagreements about risk cannot be resolved by recourse to expert assessments of potential damage. They must be addressed through political processes as ethical or even aesthetic disagreements.

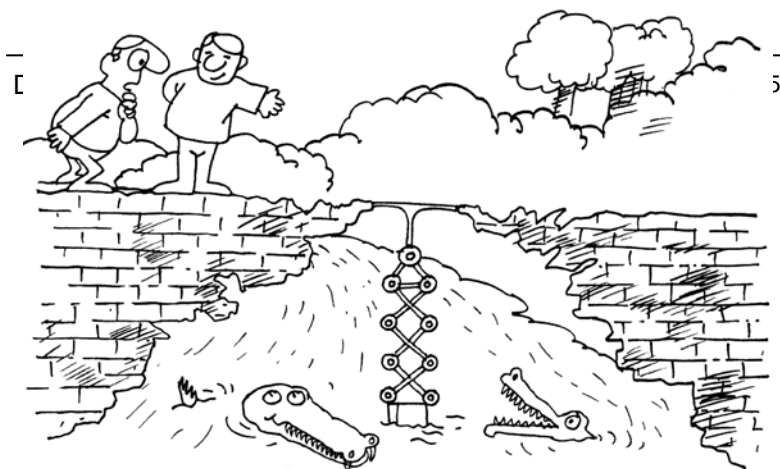
Evaluation

Evaluation of the performance of public participation remains problematic. It is almost exclusively self-evaluation performed by the organisers of the consultation or engagement activity or sympathetic evaluation by social scientists known to be committed to the principle and techniques being employed. Most evaluation is of single projects. There is very little systematic or comparative evaluation across multiple sites and different techniques.

Representation

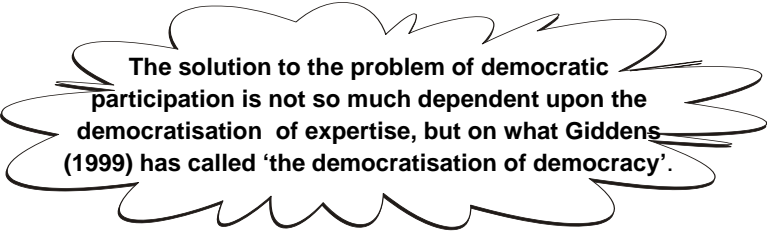
One of the most persistent criticisms of participatory techniques relates to the problem of representativeness, both in terms of validity of the sample of the public that is drawn upon and in the sense of its legitimacy to shape decisions for those who were not included directly in the process.

Are consultative and participatory decision processes devised by social scientists a true path to increased democracy or just another layer of technocracy? Is it possible that rather than digging us out of the technocratic hole we are really just digging ourselves in deeper? Are we



seeking to compensate for the triumph of technique by devising new techniques, this time social science techniques of consultation? As social scientists, we need to ask whether such initiatives move us closer to or further still from the participation of an informed citizenry in key decision-making.

It seems that the discourse of participation is essentially a managerial discourse, perhaps, even more narrowly, a crisis-management discourse masquerading as a theory of democracy. It leaves the concept of 'risk' intact and presents citizens with a largely predetermined range of remedial or damage-mitigating options from which to select. It is consensus-seeking with respect to both knowledge and values and, as such, it is depoliticising. Its adequacy is evaluated overwhelmingly in terms of process rather than of outcome.



The solution to the problem of democratic participation is not so much dependent upon the democratisation of expertise, but on what Giddens (1999) has called 'the democratisation of democracy'.

To create a governance discourse, one might begin by contrasting the concepts and practices of participation with a term that seems to have fallen out of favour in the last thirty years, that is 'mobilisation'. A discourse of mobilisation around science in society suggests a very different approach. It begins with social issues of identity and emergent solidarity rather than technocratic ideas of risk. It seeks to destabilise taken-for-granted knowledge. Since it is explicitly values-based, it is inevitably conflictual. Rather than addressing science, technology, and environment from the standpoint of remediation it seeks to address them from a standpoint of anticipation and authentic social choice. Its adequacy is evaluated in terms of outcome as much as of process.

Within a governance discourse, I am still (just about) inclined to believe that new processes of public discourse, informed by social science, have significant potential to inform and supplement (but not substitute for) decision-making in representative democracies. However, under current arrangements, it is very difficult, perhaps impossible, for such techniques to break free of the political and cultural constraints that reduce complex moral and aesthetic issues to scientific framings.

The solution to the problem of democratic participation is not so much dependent upon the democratisation of expertise, but on what Giddens (1999) has called ‘the democratisation of democracy’. I remain sceptical that the first can be achieved in the absence of the second. In the meantime, we can expect to see electoral participation continue to fall and consumption to carry on rising to unprecedented levels.

NOTES

Giving Credit to Moneylenders!

This set of excerpts is a debate on moneylenders – rural moneylenders.

With an increasing focus on livelihoods, those working among the marginalised communities are relating to issues of credit, investments and returns to producers with a greater understanding and respect.

Pallavi Chavan considers extending this understanding, acceptance and respect to moneylenders to be a regression. It takes away the responsibility of formal institutions of credit and investment for their failure to reach out to the small farmer and producer in rural areas.

Theirs is a response to an earlier piece by **Shishir Sharma** and **S Chamala**, who detect a positive side to moneylenders, and the need for a greater acceptance of informalisation of credit in rural areas.

Not so, says Chavan. Informalisation is part of insidious financial liberalization – the moneylender may be more accessible, but is nonetheless exploitative. Liberalisation will lead to greater oppression and give the moneylender a stranglehold on the livelihood of producers.

Moneylender's Positive Image: Paradigms and Rural Development, *Shishir Sharma, S Chamala. Economic And Political Weekly*,

Vol 38. No.17 April 26 -May 02, 2003.

<http://www.epw.org.in/showArticles.php?root=2003&leaf=04&filename=5756&filetype=html> [C.ELDOC6008826]

Moneylender's Positive Image: Regression in Development Thought and Policy, *Pallavi Chavan, Economic and Political Weekly*, Vol.38. No.50 December 13,

2003. <http://www.epw.org.in/showArticles.php?root=2003&leaf=12&filename=6617&filetype=html> [C.ELDOC6008435]

Moneylender's Positive Image: Paradigms and Rural Development

Shishir Sharma, S Chamala

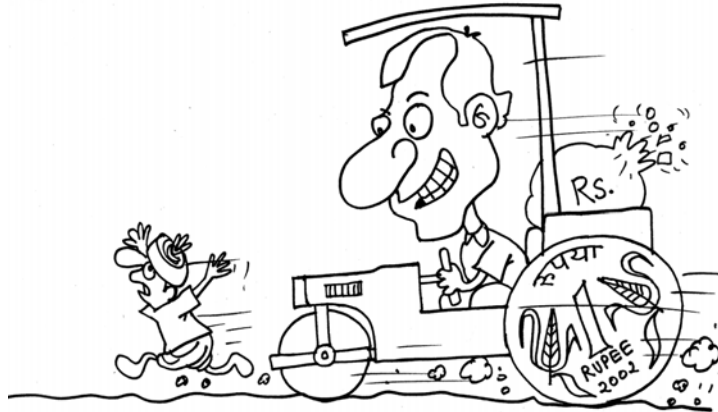
In general, the rural moneylender as a species has proved surprisingly resilient, even in countries such as India and Indonesia where it has been a declared objective of state intervention in financial markets to suppress him. (Hulme and Mosley, 1996:74-75)

Thought and practice in the field of development through credit have been undergoing a change in recent years. This change is a reflection of the challenges faced by rural credit institutions, which plagued by various systemic and structural problems, have achieved only limited success in achieving their goals. One major objective behind the development of rural credit institutions had been to save the rural poor from the exploitation of the moneylenders.

Traditionally, the image of moneylenders has been negative in that they charge usurious rates of interest, and encourage poor people to incur unproductive expenses to trap them into perpetual indebtedness or to capture their assets.

Thus, the moneylender has been perceived as one of the major contributors to rural poverty and a major obstacle to the welfare of small rural agriculturists and small entrepreneurs. This negative image became a basic assumption in rural finance in developing countries. It was held that the moneylender be either 'removed' or 'stymied' so that his negative influence may not adversely affect the development processes.

In India, development programmes for small farmers and poverty alleviation programmes were formulated for liberating the rural poor from the 'exploitative grip' of moneylenders.



The negative image paradigm has been dominant in the approach to rural finance design in the half century of multidisciplinary development since Indian independence in 1947. However, in larger thought in the field there has been a parallel building-up of a distinct paradigm which strongly advocates the involvement of moneylenders in the development process. This paradigm which could be termed as 'positive image paradigm', has provided the most forceful challenge to the negative image paradigm, by far.

This positive paradigm has, however, so far achieved only partial success and it is apparent that the dominant negative paradigm has not yet yielded much ground in development finance practice nor has it had any significant impact on designs focused on rural poor, women, and other disadvantaged. One reason for this could be the perception of the positive image of the moneylender as a 'romanticised'² or idealised image which represents inadequate and unconvincing reality to the practice. Additionally, the negative image paradigm has developed over a very long period by economic and cultural processes, and therefore it has had consistent effect in building thought and practice.

Current Practice, Future Implications

Since the positive paradigm posits that the moneylender is not a cause of rural poverty it poses serious questions about the validity of the basic

premise of rural credit organisations in developing countries, viz, that the rural poor need to be liberated from the usurious interest rates of the moneylender in order to increase the productivity of the poor people, to reduce social inequality, and to enable the poor to meet their basic needs.



However, the positive paradigm is unable to dislodge the socio-economic practice in the rural credit organisations. Its position is weakened by not sufficiently orienting itself to the evolving scenario wherein the rural credit organisation consists of both government and non-government type of organisations.

It does not proffer strategies for integrating the positive-image based economic thought with contemporary negative-image which is based on socially-tempered economic thought and practice, eg, even the most successful and celebrated programmes for poor women such as *Grameen Bank* (Bangladesh), *SEWA Bank* (India) and numerous other lesser-known governmental/NGO programmes are based on the liberation of the poor women from the moneylenders as one of their main objectives.

According to Hossain (1984), in addition to *Grameen Bank's* main objective of poverty alleviation through providing credit to the poor, "another objective of the Bank is to eliminate the exploitation by the


moneylenders. The bank operation may partly replace the non-institutional credit market through which the rural rich exercise their control over the rural poor" [Hossain 1984:10].

Despite the voluminous literature on the exploitation by this traditional institution, and the attack on it through international, national, philanthropic, voluntary, governmental and non-governmental efforts to reduce the social and economic exploitation of the poor by them, moneylenders have prevailed. Their very persistence and the limited success of the intervention to remove them highlight the oversight of the development theorists and managers in not recognising the moneylender as a significant institution of the underdeveloped areas and the 'courage' of this 'barefoot' figure (as Adams referred to it).

Mellor had in fact, asserted in 1968 that, in the context of the Indian rural development policies, the "major efforts at developing credit programmes as one of the first assaults of the agricultural development effort were based on the erroneous assumptions that moneylenders were collusive and monopolistic and tended to exploit the agriculturist"(1968:66).

As for practice, perhaps Padmanabhan's position summarises the emerging attitude: "For better or worse, informal lenders will continue to operate in rural areas, and it would be unwise not to recognise their contribution to rural development" (1988:92). There is no reason to doubt the progress of the new paradigm in the next century, though practice will take some time to catch up.

One possibility is that of linking moneylenders with the banking institutions as a conduit. Another option is to adopt the chit fund (a saving-cum-credit mechanism) which may be operated by moneylenders. This is an option which might find more social acceptability and would require less change in the development managers' orientation. Yet another option is to make the moneylender a part of the micro-finance system. Making the moneylender a conduit for credit to the poor in social group could be an option which might probably make rural credit and micro-financing attractive to the banks and international lenders.



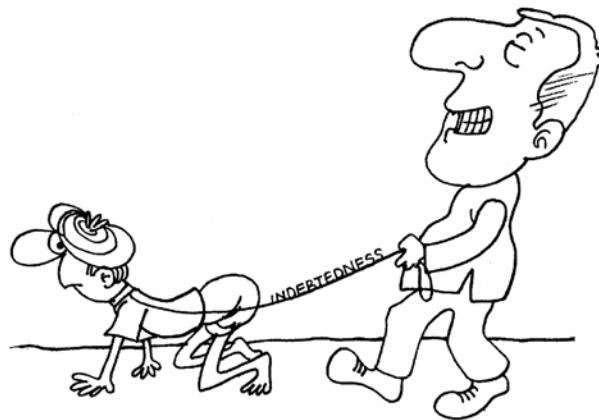


Moneylender's Positive Image: Regression in Development Thought and Policy

Pallavi Chavan

This is with reference to the article titled 'Moneylender's Positive Image – Paradigms and Rural Development' by Shishir Sharma and S Chamala (*EPW*, April 26-May 2, 2003). The article attempts to build a case in favour of the institution of moneylender in the supply of rural credit. It argues that the moneylender needs to be involved in the process of rural development. The authors distinguish between a 'negative' and a 'positive' image of the moneylender and point out that the negative image has dominated the positive image in development thought as well as practice or policy of rural credit in the past.

Based on certain historical evidence and some select village studies, they recommend that the positive image, which has been in existence but has been latent in the literature, be brought out more explicitly in development thought, and be strengthened, while formulating policies of rural credit. They argue that a shift towards the positive image has been visible internationally in development thought but the same has not occurred in India.



The present comment is based on the existing evidence on the institution of moneylender and its role in the rural credit system from the Indian countryside. It points out the major historical and economic factors, which have been responsible for the establishment of a particular image of the moneylender and which, surprisingly, have been ignored in the article under review. Based on the discussion of these factors, it provides certain arguments regarding why the emphasis on a so-called positive image of the moneylender or more broadly, of the informal sector, may be misplaced and can lead to a distortion in the rural credit policy. It also argues that in the era of financial liberalisation, the ideas as put forth by the authors in fact strengthen grounds for the withdrawal of the formal sector from the rural credit system.

Negative Image - Based on Evidence

The article begins with a discussion of the teachings of various religions that stigmatised the moneylender and usury. It points out that religion was one of the important factors that shaped the negative image of the moneylender during the Mughal rule in India. Even during the British rule, the negative image was carried forward. It may be noted that this was on account of the widespread evidence collected during the British rule on the state of the Indian peasantry.

A number of documents, official and otherwise, bear testimony to the fact that indebtedness was the most important evil gripping the Indian peasantry. The moneylender and his malpractices, such as compounding the interest, usury and confiscation of landed property from the debtor, were adding to the burden of indebtedness on the peasantry and were also responsible for the backwardness of Indian agriculture. There is indeed substantial historical evidence of the exploitation of the peasantry by the moneylender during the 19th and early part of the 20th centuries across the Indian countryside.

One of the important events, which to a great extent shaped the attitude of the British authorities towards the moneylender, was the Deccan riots of 1875, whose absence from this article is rather conspicuous. These riots, as was noted by economic historians later on, signified a bloodless peasant uprising in the Bombay Deccan involving no loss of life but burning of the record books of the *vani* moneylenders by the *kunbi* or peasant debtors owing to extreme pressure of indebtedness and the unscrupulous practices of these moneylenders. It was recognised by the Deccan Riots Commission formed in the aftermath of the Deccan riots that contrary to the impression commonly shared by the British authorities prior to the riots, extravagance – particularly during marriages – was not the prime cause of indebtedness among the peasantry. It was, on the contrary, the fraudulent practices of the moneylender that resulted in a heavy burden of debt on the peasantry.

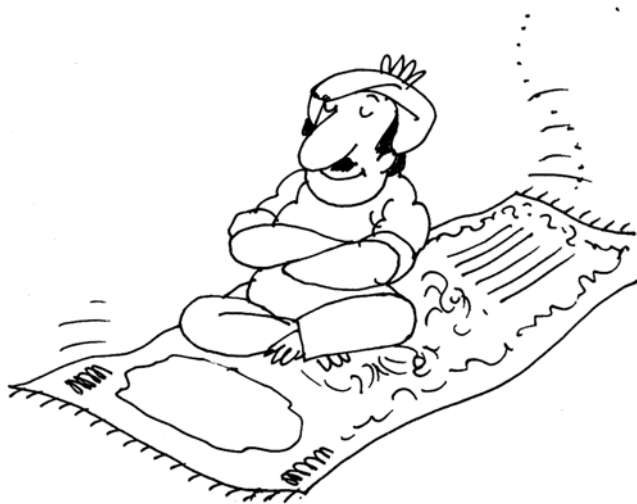
Who is the Moneylender?

Another important point not discussed in the article relates to the identity of the moneylender. It has been recognised in literature that the moneylender operated under a number of guises in the rural credit markets. Moneylender was not just the 'sowcar' or the 'professional' moneylender, as he is commonly referred to in the official surveys on indebtedness of rural households, who exclusively dealt in lending money to the village community. There were landlords, who also supplied credit to their tenants, other peasants and agricultural labourers. There were traders too, who lent money to the peasants against the sale of produce. These landlords and traders did not pursue moneylending as their main occupation but it was undoubtedly a regular feature of their interaction with the peasantry and the labouring class of the village community.

In the states, where *zamindari* system was in place, the *zamindar*, as an intermediary between the state and the peasant, emerged as an

important source of finance for the peasantry. Due to the multiple guises, as noted above, of the moneylender, he could touch the peasantry in a number of ways and could thus establish a stronghold over its work, property and life.

The so-called negative image of the moneylender that emerged in development thought and that was also reflected in policy was based on the existing nature of operation of moneylenders across the Indian countryside. The image was possibly exaggerated at times, as noted by Baker (1984), but was clearly not fabricated or based on any 'negative assumptions', as suggested by the authors.



It was thus no wonder that the All-India Rural Credit Survey of 1951-52, the first systematic attempt made to assess the state of rural credit in the country, pointed out that "...the whole object of attempting to develop and strengthen that (cooperative credit) structure is to provide a positive institutional alternative to the moneylender himself, something which will compete with him, remove him from the forefront and put him in his place" [Reserve Bank of India, All-India Rural Credit Survey, Vol 2, 1954].

Promotion of Formal Institution of Credit

Studies on rural credit in the pre- and post-independence period recognised that the moneylender was known and was easily accessible to the village community. However, it needs to be noted that it was not just easy access but also the lack of availability of any alternative source that made the peasantry and the working class depend on him for credit.

*Thus, the policy effort directed towards the promotion of formal institutions of credit, **first in the form of cooperatives** and later **in the form of commercial banks after bank nationalisation along with Regional Rural Banks (RRBs)**, was considered to be the most important way in which the stronghold of the moneylender over the rural credit system could be shaken and reduced. It was fully recognised by the government that the demand for credit would make the peasantry turn to these informal lenders in the absence of an alternative institutional arrangement.*

*The norms of priority sector lending were laid down for these formal institutions to **divert credit to rural areas, particularly to agriculture**. The credit-based poverty alleviation programmes, such as the **Integrated Rural Development Programme (IRDP) schemes**, were implemented **with the intention of providing credit to the rural poor**. These supply-led policy efforts succeeded in augmenting the supply of formal credit to rural areas and as revealed by various official data sources and a number of village level studies, helped in countervailing the informal moneylender. The 1970s and even the 1980s, which can be referred to as the decades of banking boom for the Indian countryside, clearly brought about an increase in the importance of bank credit in the debt portfolios of rural households. However, it also needs to be noted that the moneylender could not be rooted out completely from the rural credit system. He changed his guise and continued to be a source of credit for rural households.*

Limitations of Formal Institutions – No Credit for Moneylenders

The authors regard the persistence of moneylenders as a reflection of his resilience and argue that it was a failure of the development thought to recognise the “courage of this barefoot figure”. It, however, needs to be understood that the moneylender continued to exist in varying guises because credit from him was in demand. This demand persisted because, as already noted, the alternative sources of formal credit were either not available or more probably, were not accessible to the rural households.

One of the critiques of the formal credit system has been its inaccessibility to the majority of rural households, particularly the landless, poor households. It has been widely acknowledged that credit supply from formal institutions remained inequitably distributed across caste, class and gender [Ramachandran and Swaminathan 2002]. It has also been a common finding of most of the village studies in the post-independence period, particularly during the 1970s and the 1980s that when supply of bank credit to rural areas had reached very high levels and when bank credit figured prominently in the debt portfolios of the landed households, the landless households, particularly those from the oppressed castes, continued to rely heavily on moneylenders for credit.

The formal system of rural credit, given the importance of land as a mortgage security, was tied to the ownership of land. Clearly enough, the inequality in the distribution of rights to land got translated into inequality in the distribution of rights to institutional credit [Swamy 1979].

Relativising Usury

The article by Sharma and Chamala pools the findings on interest rates charged by moneylenders to poor borrowers from certain studies (Table 3, p.1717 of their article). The exact objective behind giving such a table is not expressed by the authors. However, judging by the placement of

this table in the article, we may conclude that it is used to bring out the point that the claim made in the literature about moneylenders practising usury and charging high rates of interest may not always be just and that they have been found to provide credit to poor borrowers at times at cheaper and not very high rates of interest.

The limited number of studies used in this table is not adequate to establish this point. As already noted, there is ample evidence from the Indian countryside that the interest rates charged by moneylenders on loans to rural borrowers in general, and to poor borrowers in particular, range on a much higher side than their formal counterparts. In fact, a careful look at Table 3 also brings out the same point. This point is otherwise concealed because of the categorisation of interest rates used by the authors. They define “cheaper” interest as “around bank interest rates”. However, “not high interest rates” are defined as “from cheaper, up to and including 50 per cent”. Clearly enough, this is a very broad category. Furthermore, the interest rates up to 50 per cent can by no means be considered as “not high” rates of interest. Thus, nearly all studies considered by the authors also provide evidence that the rates of interest of moneylenders range too high to be considered as affordable by poor borrowers.

*Usury, or the practice of charging high rates of interest has been attributed to a number of factors in the literature. One of them has been **high risk in** lending operations faced by the moneylender, particularly while lending to the poor borrowers, who are often regarded as non-creditworthy [Bottomley 1963]. This factor has been emphasised by the Ohio school economists and has also been referred to in the article. There is another factor, which relates to the **monopoly power** of the moneylender, which enables him to extract a high rate of interest from the borrower.*

While it is recognised that timely availability of credit is important, particularly for agricultural operations, the cost of credit can by no means be trivialised, particularly while dealing with the poor borrowers.

Positive Image Paves the Way for Financial Liberalisation

It is one thing to argue that the informal segment of varying sizes, comprising moneylenders, traders, large landowners, may continue to exist within the rural credit system and to explain their existence on the grounds that the formal segment has not been able to reach certain areas, activities or certain groups of population. It is, however, another thing, as attempted in this article, to recommend the expansion and promotion of the informal segment and thereby demand a reversal of the policy pursued so far in a country like India towards developing and widening the formal institutions of rural credit.



In a way, the second line of argument provides justification for the implications of the process of financial liberalisation for rural credit. The process of financial liberalisation has been underway in India since the 1990s under which there have been recommendations to dilute various state controls over the banking system, such as those relating to priority sector lending. One of the outcomes of this process has been a gradual

shift of business by banks away from rural areas and rural occupations [Chavan 2002].

There have been cases of suicide on a large scale among cotton farmers of Maharashtra and Andhra Pradesh (the states that have been known for widespread development of rural banking in the past), owing to the pressures of indebtedness, particularly to the informal sources, such as moneylenders. Among others, an important factor responsible for this distress among the farmers has been the retreat of the banking system and the inadequacy of bank credit to meet the requirements of agriculture in these areas.

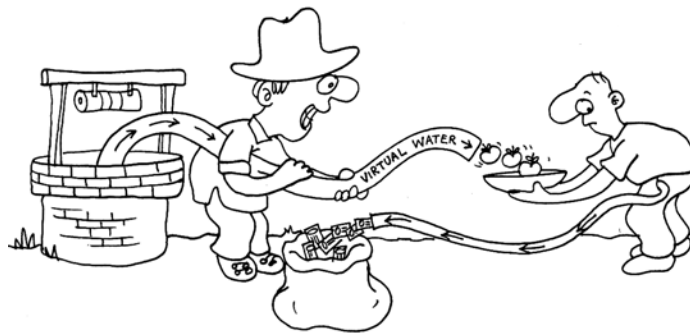
To conclude, credit continues to be important for the rural population for production-related requirements and more so, for the rural poor for meeting consumption-related needs in the absence of a strong social security net. In the past, there have been systematic policy efforts towards building the formal system of credit in rural areas. The outcome was a rapid growth in the supply of bank credit and the displacement of the informal moneylender to a considerable extent from the rural credit system. *The formal system of rural credit exhibited certain problem areas, where corrective action needed to be taken. **Instead, there have been attempts to reject this system as a whole.***

An attempt to build a 'positive image' of this institution and recommend the promotion of this institution over the formal channels of credit delivery to rural households thus reflects a regression in development thought and policy. ▶

NOTES

It's called 'virtual water' ...

Sowmya Kerbart Sivakumar



The Third World Water Forum held in Kyoto, Japan, last year was marked by the popularity of a phrase that had emerged in the 1990s. It became central to discussions on global food trade during the decade and added a new dimension to the debate on world water management. Though academic in origin, its simple, practical and intuitive appeal brought on the realisation that, in a world heading for a deep water crisis, it may be time to talk of food and water beyond conventional relationships.

The earliest genesis of this catchy phrase, "Virtual Water", can be traced to Israeli economists. By the mid-1980s, they realised that it simply didn't make sense from an economic perspective to export scarce Israeli water. This was what, they argued, was happening every time water-intensive oranges or avocados were exported from their semi-arid country. The term "virtual water" was finally coined at a seminar at the School of Oriental

It's called 'virtual water' ... , Sowmya Kerbart Sivakumar, *The Hindu*, June 06, 2004. <http://www.hindu.com/mag/2004/06/06/stories/2004060600150200.htm>
[C.ELDOC1074515]

and African Studies (SOAS), University of London in about 1993. In fact, the idea had been described even earlier by Professor J.A. Allan as "embedded water" but, in his own words, "did not capture the attention of the water-managing community".

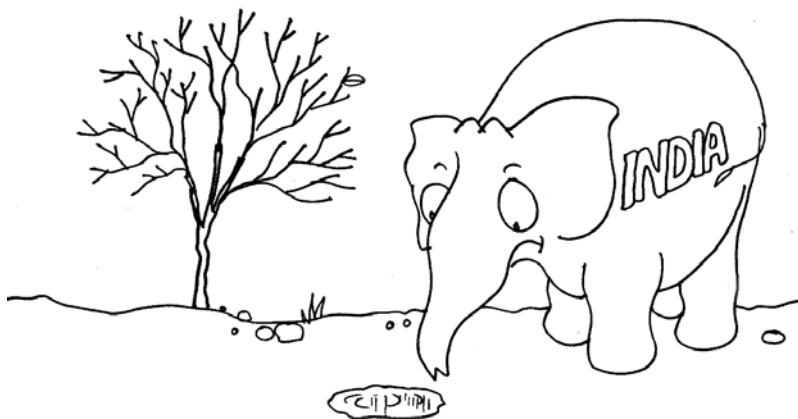
Put simply, we all know that water is required for the production of food such as cereals, vegetables, and meat and dairy products. The amount of water consumed in the production process of a product is called the "virtual water" contained in the product. This water is "virtual" because it is not contained anymore in the product. For example, to produce a kilogram of wheat we need about 1,000 litres of water. Meat, on an average, requires about five to 10 times as much.

Let us build on this a bit further and link food, water and trade. If a country exports a water-intensive product to another country, it amounts to exporting water in a virtual form. This "virtual water trade" is nothing but the virtual water content of the product times the trade volume of that product. What this means for the importing country is that it does not have to consume that amount of water in domestically producing the product.

If the importing country is already facing water scarcity, this represents real water savings and less pressure on its water resources. If the water-exporting country has abundant resources, the entire flow becomes an efficient instrument in improving global water use efficiency. *Thus virtual water trade has been touted as a "very successful means by which water- deficit economies can remedy their deficits".*

In reality, things don't happen so neatly. Take a look at the global virtual water flows today. The global volume of crop-related virtual water trade is estimated to be about 695 gm{+3} per year on an average

between 1995 and 1999. This accounts for about 13 per cent of the total world water use for agricultural production. Statistics show that India is predicted to be heading for some serious water shortages in the future. One of the top five exporters, its net virtual water exports were to the tune of 161.1 (10⁺⁹) cubic meters in this period! The problem with the so-called water-abundant countries is whether they will remain so in the future if they continuously "export" their water resources. For instance 1/15 of the water available in the United States is used today for producing crops for export — in Thailand, this rate reaches ¼ . Thus virtual water exports may seem feasible now, but not without adverse consequences for these countries in the future.



There are also some extremely important issues that come forward while talking of virtual water trade as a solution to water scarcity, mainly from the point of view of the importing countries.

Financing of Imports

The International Food Policy Research Institute (IFPRI), in its report *Global Water Outlook to 2025: Averting an Impending Crisis*, points out

that under a business-as-usual scenario, "developing countries will dramatically increase their reliance on food imports from 107 million tons in 1995 to 245 million tons in 2025. The increase in developing-country cereal imports by 138 million tons between 1995 and 2025 is the equivalent of saving 147 cubic kilometres of water at 2025 water productivity levels, or eight per cent of total water consumption and 12 per cent of irrigation water consumption in developing countries in 2025."

However, it also cautions that "The water (and land) savings from the projected large increases of food imports by the developing countries are particularly beneficial if they are the result of strong economic growth that generates the necessary foreign exchange to pay for the food imports More serious food security problems arise when high food imports are the result of slow agricultural and economic development — that fails to keep pace with basic food demand driven by population and income growth. Under these conditions, countries may find it impossible to finance the required imports on a continuing basis, causing a further deterioration in the ability to bridge the gap between food consumption and the food required for basic livelihood." This is likely to be especially true of the countries of Sub-Saharan Africa, West Asia and North Africa.

Food Security and Food Self-sufficiency

"A country must be food secure (self-sufficient) before any trade can begin. Can empty bellies attempt to trade, especially if the needs are sizeable and 'purchasing power' is lacking?" asks M. Gopalakrishnan,



Secretary General, International Commission on Irrigation and Drainage (ICID), New Delhi, in response to the Synthesis Paper on Virtual Water Trade, by Professor Paul van Hofwegen and team (2003).

His question perhaps sums up succinctly the concerns of countries like India, where an interplay of forces and compulsions will determine if virtual water trade is indeed a solution at all. According to him, "some countries which have to import food for one or other reason, if economically well off (high GNP) can import food/products (virtual water import). But countries (such as Sub-Saharan) having food deficiency and low GNP or those countries having food sufficiency (India and China and similarly placed developing countries) with low and low-middle GNP may not prefer to practice virtual water trade. Their socio-economic and other societal compulsions may not allow it." An added concern for populous countries (India, China, Indonesia etc.) is to maintain a minimum level of self-sufficiency "so that the impact of exigencies like drought and very large scale import requirements do not affect the global trade situation.



I BELIEVE WE WILL BE TOLD
WHAT TO GROW IN OUR LANDS
NEXT SEASON...

Echoing this view, Daniel Zimmer, Director, World Water Council, emphasised the difference between "food security" and "food sovereignty", at Kyoto. Many countries could resort to virtual water trade

in order to achieve a sufficient food supply for their people, but many governments do not want or simply cannot afford to become dependent on global trade. **"This is crucial for countries like India and China ... they feel that because they have such large populations, the world market would not be able to supply their food demands in any crisis and so, as much as possible, they want to take care of their own food needs,"** he said.

Food subsidies

A related issue is the size of export subsidies for agriculture in the European Union countries and the United States. The huge subsidies make the price of their products very cheap and affordable to importing countries and hence facilitate efficient virtual water trade. But as pointed out by international experts, "... on other hand, it creates a very destructive phenomenon: local products cannot compete with these imported products, which do not reflect the real cost of production Local farmers cannot compete with such economic and productive forces; abandoning their own food production forces, some countries become more and more dependent on external food products ... *but what happens if the grain-producing countries cut subsidies to their farmers, potentially leading to significant price increases?*" This controversial issue has also been hotly debated in the recent World Trade Organisation Summit at Cancun, Mexico, and revolves around the underlying links between water, agriculture and politics.

Impact on livelihoods

Virtual water trade as a policy option also has implications for local situations and people. As rightly pointed out in the Discussion Paper Virtual Water Trade — Conscious Choices by Paul van Hofwegen and Daniel Zimmer (August 2003), "... **it (virtual water trade) should contribute to local, national and regional food security requiring appropriate trade agreements which respect not only a nation's right to decide on their way to achieve food security but also local distribution mechanisms ensuring access to food.**"

When a country opts consciously for virtual water imports to alleviate its water problem, it is also making a choice of altering its cropping patterns in a significant way. This could deprive farmers and their families of their livelihoods unless alternatives are developed in terms of other crops or alternative employment. In their absence, this choice could have a serious fallout, as unemployment is a problem most of the virtual water importing countries already face.

Another impact of going for water savings through virtual water trade could be an alteration (for the worse) in the organisation and ownership of means of production within the country. The case of Punjab exemplifies this. Dr. Sudhirender Sharma, Director of the Delhi-based Ecological Foundation, in an article for the portal indiatogether.org, reveals that the Punjab Government is seeking the Centre's support for Rs.1,280 crores to wean away farmers from the traditional paddy-wheat cropping system. The objective: To save 14.7 billion cubic metres of water every year. The Government's game plan: To use this money to give farmers an incentive of Rs. 12,500 per hectare, relieve some one million hectares under paddy-wheat rotation and replace it with alternate crops like pulses and oilseeds. "This incentive will also move farmers towards a buyback arrangement with private companies", the article notes. The effects of such massive corporatisation of farming in crops, that too where minimum support prices have not even been declared (for pulses and coarse grains), needless to say, is bound to introduce a high level of insecurity among the farming community.

Virtual Water and Diets

It may be said in conclusion that, in spite of all its shortcomings, the concept of virtual water has certainly lent a new perspective to discussions on water management and the interlinkage between water, food and trade. It has also extended itself to newer concepts like "water footprint", which has an intuitive appeal even to the layperson.

The water footprint of a country is its real water use — its domestic use plus the net virtual water import — which is a useful indicator of the nation's demand on global water resources. Water footprints can also

be calculated at an individual level; it is simply the sum of the virtual water content of all products consumed. Thus a meat diet implies a larger water footprint of about 4,000 litres of water a day, versus 1,500 litres for a vegetarian diet. Change in dietary habits of people can thus significantly change virtual trade balances. For example, if all the Chinese started eating like an average U.S. citizen, the virtual water trade balance of Central and South Asia, which is already a net importer of virtual water, would escalate severely! Thus being aware of our individual water footprint can help us use water more carefully. ▶