Looking back at The IGC Growth Week 2014

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*Last week LSE hosted The IGC Growth Week. **India at LSE** pulls out India-related highlights.*

State Capabilities

In the State Capabilities Research Session, chaired by Henrik Kleven (LSE), Karthik Muralidharan (UC San Diego) who presented findings from the paper, "Building State Capacity: Evidence from Biometric Smartcards in India". The authors of this paper worked with the government of Andhra Pradesh state in India to randomise a large-scale rollout of biometrically authenticated electronic payments for two flagship social welfare programmes in India. There were significant positive impacts of this intervention: payment processes got faster, more predictable, and were less prone to corruption. In addition, the project was highly cost-effective, and had strong support from the poverty programme beneficiaries. Muralidharan highlighted the potential for introducing similar systems in other countries, but emphasised that having political will is essential for effective implementation.

Cities

Professor Simon Alder (University of North Carolina) presented his work on "Chinese roads in India: The effect of transport infrastructure on economic development" as part of the Cities Research Session. The paper investigates whether the Golden Quadrilateral (GQ) highway project in India benefited the regional economy, and how would India's development trajectory be if it had transport infrastructure like China. The results show that the GQ project benefited the targeted areas, while other areas lagged behind and if the lagging areas were better connected (as in the China case), they would have experienced higher growth. Ashish Vachchani (Ministry of Finance, Government of India) remarked that the government is in the process of building railways to connect the interior regions of India. Further, he noted that the cost of building highways in India is much higher than China, given the complicated and costly process of land acquisition in India.

Energy

The Energy Research Session started with a presentation by Professor Nicholas Ryan (Yale University) titled "Lighting up Bihar", which highlighted an incentive scheme for increasing electricity distribution revenue in the northern state. The research project aims to increase revenue of the electricity utility by providing an incentive to electricity users at the level of the feeder area. These incentives include higher supply of electricity. It found that revenue from electricity consumers improved dramatically in only two months in the area where the incentive of higher electricity was provided. This pilot is now being expanded in Bihar.

Responding to this, Mr. Sanjay Kumar Singh, Secretary to the Chief Minister, Government of Bihar said that there was a clear commitment from the Chief Minister to improve electricity provision. This increased support for this scheme also provided a signal to electricity consumers that the Government is committed to providing more electricity if consumers pay for electricity in full.

The second presentation also focussed on India. Prabhat Barnwal (Columbia University) discussed the impact of a direct benefit transfer mechanism for cooking fuel subsidy in India. India's cooking fuel subsidy is provided by reducing the price of a certain kind of LPG cylinders for domestic use. Due to this subsidy, a large black market exists to sell the cheaper LPG cylinders to non-eligible users.

The Government decided to link the distribution of these subsidised LPG cylinders with biometric identification of eligible households. Using this system, subsidies were transferred to the bank account of eligible households instead of reducing the price of the LPG cylinder.

The research indicated that biometric verification was effective in reducing leakage and the fiscal burden of the subsidy for the period under review, suggesting these results can be generalised and biometric verification of eligible households to link subsidy payments can be extended to all welfare and subsidy programs.

India-Bihar

Growth Week also featured Country Sessions, led by the country offices. The India-Bihar session was Chaired by Dr. Shaibal Gupta, Co-Country Director, IGC Bihar.

Dr Clement Imbert (Oxford University) presented the findings of his study “Information Technology, Transparency and Corruption in Public Programs: Evidence from a Large Workfare Program in Bihar”, which showed that the introduction of Central Plan Scheme Monitoring System (CPSMS) in transferring funds to Panchayats seemed to have reduced leakage in MNREGA.

Dr Johannes Urpelainen (Columbia University) also shared the preliminary results of his study “Solar Power of Street Vendors: problems with the centralized charging stations in urban markets”. He argued that energy poverty among the urban street vendors is a major constraint: around 80 per cent of the vendors rated improved lighting as the “top priority”.

The second part of the session was a panel discussion on ‘What Next for Bihar’. Senior policy makers from Bihar – Anjani Kumar Singh (Chief Secretary), Rameshwar Singh (Finance Secretary), Sanjay Kumar Singh (Secretary to the Chief Minister) – all participated in the session. Mr Rameshwar Singh made a presentation highlighting the achievements of Government of Bihar in the last 7-8 years. He said that the government should continue with the current level of spending on social sectors but Bihar needs to formulate policies that can increase the effectiveness of government expenditure. Mr Anjani Kumar Singh listed the priorities of the Government of Bihar: upgrading the skill of youth of Bihar; improving the power availability; policies to improve the quality of education; greater investment in human capital; Need for value addition in agriculture by providing marketing facilities to the farmers; continue with the policy of positive discrimination for women. Mr Sanjay Kumar Singh explained how the government is not only working towards improving the connectivity and access to power but also simultaneously trying to improve the quality of electricity. He argued that Economic growth is directly linked with the development of energy sector.

India-Central

The India-Central session focused on infrastructure provision and was chaired by Montek Singh Ahluwalia (former Deputy Chairman, Planning Commission of India).

Oliver Vanden Eynde (Paris School of Economics) presented his research on connecting rural India. The project explores ‘Bharat Nirman’ – a flagship infrastructure programme of the government and seeks to analyse two key issues: (i) factors determining successful programme completion, particularly in conflict areas, and (ii) impact of rural infrastructure provision on local socio-economic and political outcomes. It finds evidence of particular implementation difficulties in conflict areas, with varying patterns across different infrastructure types. Lack of coordination across projects is also visible.

Ashish Vachhani (Ministry of Finance) gave an overview of the new government’s priorities for infrastructure and related regulatory issues. Over 2012-2017, the aim is to build world-class infrastructure, involving investment of US$1 trillion. This will have important spinoffs for manufacturing and employment growth. Infrastructure has been traditionally provided by the government due to natural monopolies and public interest, but this has led to operational inefficiency, quality concerns and inadequate investment. The opening up of telecoms in 1991 marked a change. There is now consensus that government regulation plays an important role and there is optimism regarding policy agreement for regulation in railways, highways and real estate.

Rathin Roy (National Institute of Public Finance and Policy) said that a binding constraint on growth in India is the ramshackle infrastructure. Addressing this requires money; there are three layers of challenges: (i) poor productivity of investment in India; (ii) declining government contribution in infrastructure financing, implying greater reliance on commercial banks. This strategy is difficult to sustain and hence, there is a need to bring in foreign investment. There are constraints in terms of a capricious, ill-suited regulatory framework and bias of the financial system against long-term finance for emerging economies; (iii) savings from developing countries are increasingly being invested in the developed world.

Nuno Gil (University of Manchester) highlighted the complexities of mega infrastructure projects, which involve vast networks of public and private actors. There are delays, cost overruns and evolution of the initial scope and targets. This leads to slippages in performance expectations and it is no different in India. Some additional challenges in India include premature announcement of hard targets, centralised governance, resource scarcity, tension between lender conditions and evolving nature of mega projects, and a lack of trust. Projects end up being successful for some actors, leaving some others disappointed. There is a need for a more inclusive goal to unify parties, decentralised governance structures and flexible institutions.

This post is compiled from session summaries by Miska Daredia, Country Economist, IGC Ethiopia; Noopur Abhishek, Country Economist, IGC India-Central; Sohaib Athar, Country Economist, IGC Pakistan; Chinmaya Kumar, Country Economist, IGC India-Bihar and Nalini Gulati, Country Economist, IGC India-Central. To see the full write-ups from all the sessions visit The IGC website.

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