India Gap Analysis

Strategic Planning & Analysis Division

E&E Bureau

USAID

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Summary. India's development profile is very skewed: progress in governing justly & democratically is comparable to that found in Latin America and the Caribbean, while progress in investing in people (i.e., health, education, per capita income, and gender equality) is comparable to that found in Sub-Saharan Africa. While India's economic reforms generally lag by Asian standards, progress in these reforms has been steady albeit slow in recent years. While India is among the Asian leaders in democracy and governance, trends over time show minor erosion in these reforms since 2006, primarily stemming from backsliding in rule of law and in anti-corruption efforts. India's economic growth has consistently surpassed the Asian average in recent years, ranging from a very robust average annual rate of 6% to 10% from 2005 to 2012. Health and education indicators lag considerably in India, though are generally improving. Substantial gender inequalities exist across many dimensions in India, from the social to the political to the economic. India's hunger challenges are substantial and progress over the medium term (i.e., since the mid-1990s) has not been evident by at least one broad measure (IFPRI's *Global Hunger Index*).

Introduction. This abridged analysis updates and draws from a September 2011 gap analysis of India as well as a more recent (January 2013) region-wide analysis of Asia done for USAID's Regional Development Mission in Asia (RDMA). The methodology is that of Europe and Eurasia Bureau's *Monitoring Country Progress* (MCP) system. The core of the MCP system consists of five indices: (1) economic reforms; (2) governing justly and democratically; (3) economic performance; (4) investing in people; and (5) peace and security. In constructing these indices, we draw on readily available public data and standardize the metrics to a 1 to 5 scale in which a 5 represents the most advanced standards worldwide. The data are presented in a series of charts, and the analysis first takes stock of India's overall development profile, followed by trends in economic reforms, democratic reforms, economic performance, and investing in people.

Highlights of the Findings.

- India's ***development profile*** is unique to Asia and to other parts of the world (*Figures 1* and *2*). India is far more advanced in governing justly & democratically than in any of the other MCP dimensions, while it lags the most in investing in people.
- India's progress in governing justly & democratically is comparable to that found in Latin America and the Caribbean, while its level of advancement in investing in people (i.e., health, education, per capita income, and gender equality) is comparable to that found in Sub-Saharan Africa (*Figure 2*). Its development profile, in other words, is very skewed.

- India and China, the two economic and demographic giants in Asia, have widely contrasting development profiles (*Figure 3*). India's most advanced sector, governing justly and democratically, is China's least advanced sector. China's most advanced sector, investing in people, is India's least advanced sector. Both China and India lag considerably in peace and security, a particularly unsettling observation given their dominance in the region. In 2009, India and China represented almost 75% of economic production in Asia; that proportion is likely larger today (*Figure 4*).
- Only two Asian countries (of the twenty-five country group) lag more than India in investing in people: Bangladesh and Papua New Guinea (*Figure 5*). Only seven Asian countries trail India in economic reforms: Burma, Laos, Cambodia, Bangladesh, Timor-Leste, Maldives, and the Marshall Islands (*Figure 6*). In contrast, only a handful of Asian countries are more advanced than India in governing justly and democratically: Hong Kong, South Korea, Singapore, and three Pacific Islands, Samoa, Micronesia, and the Marshall Islands (*Figures 6-7*).
- Relative to the Asian average, many development gaps exist in India (*Figures 8-9*). The largest gaps include the business environment and budget balance (in economic reforms), literacy rate, health expenditures, environmental health, per capita income, and gender equality (in investing in people), uneven development, energy security, foreign direct investment, size and composition of the export sector, and environmental sustainability (in economic performance), and four of the five dimensions in peace and security, namely, counter-terrorism, combatting transnational crime, conflict mitigation, and stabilization operations & security sector reforms. In governing justly and democratically, anti-corruption efforts are lagging considerably, in India as well as throughout Asia.
- While ***economic reforms*** in India generally lag by Asian standards and are average for South Asia standards, progress in economic reforms in India has been steady albeit slow in recent years (*Figure 10*). Much of this has been driven by notable advances in trade liberalization since 2005 (*Figure 11*). India's business environment (which is one component of the economic reform index) lags considerably; the poorest environment for business among the five countries of South Asia (*Figure 12*). The business environment indicator primarily measures government regulations and intrusiveness towards enterprises.
- While India is among the Asian leaders in ***democracy and governance*** and the leader within South Asia, trends over time show minor erosion overall in governing justly and democratically in India since 2006 (*Figure 13*). The erosion has primarily stemmed from backsliding in rule of law and in anti-corruption efforts. *Figure 14* shows this backsliding through 2009; more recent data for 2010 and 2011 show a continuation of this erosion in rule of law and anti-corruption in India. In contrast India's "partly free" and vibrant media has made advances over the medium term (i.e., since 2003), though there has also been some erosion of those gains according to the most recent Freedom House data of 2010 and 2011. In most countries in Asia, the political environment for a free press is more problematic than are the economic and legal environments (*Figure 15*). This is true in India; moreover, it has been the political environment aspect of media that has been regressing in India in recent years.

- Transparency International's *Corruption Perception Index* shows India ranking 96 out of 183 countries in the perception of corruption, comparable to that found in Liberia, Albania, and Burkina-Faso (*Figure 17*). India's score (close to a "3" out of "10") is worse than its rank on this measure. This is another way of saying that there is a very large gap between the magnitude of the corruption problem in the most advanced OECD countries (and a handful of other countries, including Singapore, Hong Kong, South Korea, and Brunei), and most of the countries in the developing world, including India.
- ***Economic performance*** in Asia, as measured by economic growth, has consistently surpassed global standards in recent years; prior, during, and after the global economic crisis (*Figure 18*). For most of those years, at least from 2005 up until 2012, economic growth in India's economy consistently surpassed the Asian average, ranging from a very robust average annual rate of 6% to 10% (*Figure 19*).
- While China's annual economic growth has consistently surpassed India's growth since at least 2005, the pattern of economic growth in both countries has been quite similar (*Figure 19*). Both witnessed higher economic growth prior to the global economic crisis than after the crisis; both experienced a slow-down in growth during the 2008-2009 crisis, though at rates that were nevertheless still very high by any standard; both have had the slowest annual average growth rate in recent years in the most recent year, namely in 2012.
- With the salient exception of the Maldives, other countries in South Asia, alongside India, were relatively immune to the global economic crisis; i.e., all experienced robust economic growth during the global crisis (*Figure 20*).
- With the exception of the Maldives, the countries of South Asia, including India, receive relatively low amounts of foreign direct investments (FDI) as a percent of GDP, and have small export sectors as a percentage of GDP (*Figures 21-24*). These economies are less exposed to the harmful effects during a global economic crisis, though also less able to reap the gains from the global economy during better times. Nevertheless, both FDI and exports as a percent of GDP have been gradually increasing in India. In addition while high-technology goods exports from India are small relative to total exports, less that 5%, high technology service exports from India are very large compared to some other high performing Asian economies (*Figures 25* and *26*).
- Investments in research and development as well as access to computer technology are very low in India (*Figures 27-30*). There are 136 researchers for every million people in India; in China its closer to 1,200 (*Figure 27*). Research and development expenditures in India are about 0.7% of GDP; in China, it is twice that amount, 1.5% of GDP (*Figure 28*). The proportion of households with computers and internet access in India is strikingly small, perhaps five percent (*Figure 30*). This proportion is close to that found in Laos or Bangladesh; in China, around 22% of the households have internet access and 35% of households have computers. More than 15% of the Asian population in 2010 had fixed internet subscriptions; it is closer to 3% in India (*Figure 29*).
- ***Investing in people (health and education)***. While life expectancy has been increasing in India as it has elsewhere in South Asia, it remains the lowest in India at 65 years (*Figure 31*). It also ranges widely across the states of India, likely ranging from less than 60 years to close 75 years

(*Figure 32* provides estimates in an earlier time period, 2002-2006). India's under-five mortality rate continues to fall in recent years, as elsewhere in South Asia, though India's rate remains the highest in the region at roughly 60 deaths per 1,000 live births (*Figure 33*).

- Education also lags in India, and gender disparities in India's education system are substantial. The female youth literacy rate in India, less than 75%, is among the lowest in Asia, perhaps only lower in Papua New Guinea (*Figure 34*). Male youth literacy rate in India is also low by Asian standards; at around 88% it is comparable to that found in Nepal, Laos, or Cambodia. Overall literacy rates in India are lower still (than youth literacy rates) (*Figure 35*); the gender gap is also larger for the total population of India; in 2008 only half of the females were literate vs. 75% of the males. The literacy rate among rural females in India is likely much lower still; perhaps between 30-40% today (*Figure 36* provides estimates of illiteracy rates by gender and rural vs. urban in India through 2005).
- Substantial gender inequalities exist in India in dimensions other than in education as well, including in health, political empowerment, and economic participation (*Figure 37*), the three dimensions included in the UNDP's *Gender Inequality Index*.
- Finally, *Figures 38-42* draw on collaborative work with colleagues from USAID's Bureau for Food Security, focused on developing criteria for transitioning countries out of the USG Feed the Future (FTF) program. This dataset and analysis suggest that: (1) while India may be food independent at least by Asian standards (i.e., revenues from India's total exports well exceed the cost of food imports), agricultural productivity in India is very low (*Figure 38*); (2) India's hunger challenge (as measured by IFPRI's *Global Hunger Index* which combines under-five mortality rate, the prevalence of underweight children and the proportion of undernourished in the total population) is "alarming" and among the most significant throughout Asia, and much higher than other countries with comparable levels of per capita income (such as Vietnam and the Philippines) (*Figure 39*); (3) India's level of hunger and poverty are comparable to some of the worst performers on those dimensions among the twenty focus countries of the FTF program (*Figure 40*); (4) India's rural sector enabling environment (a measure from the International Fund for Agricultural Development which includes, among other dimensions, the capacity of the rural poor and their organizations and access of the rural population to productive natural resources and financial services) lags significantly; ranking roughly in the middle of the twenty country FTF focus group (*Figure 41*); and (5) India's hunger challenge, in contrast to trends in the large majority of the FTF focus countries, has not improved since 1996, according to IFPRI's *Global Hunger Index* (*Figure 42*).

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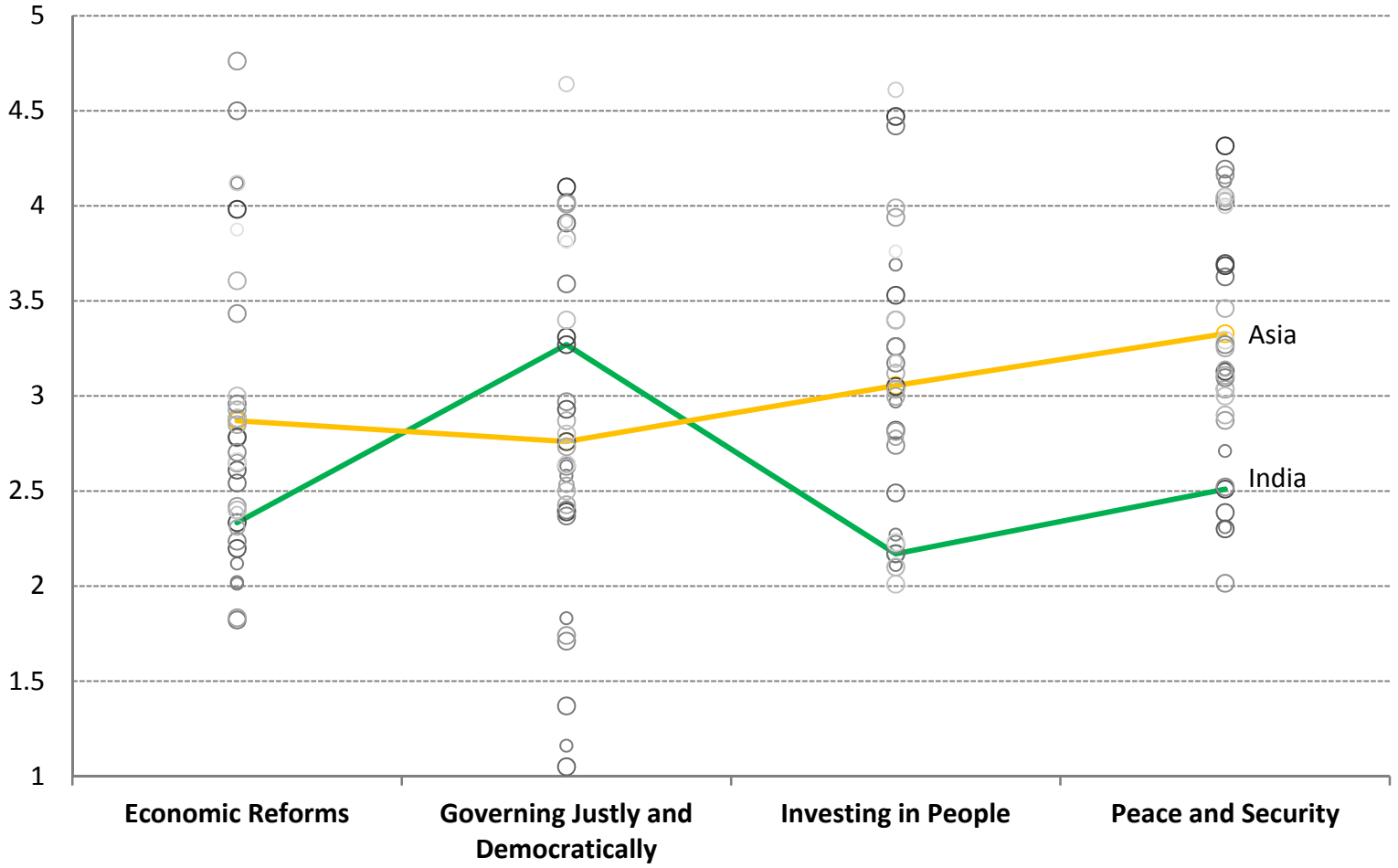
mcp@usaid.gov

Figure 1

Development Profile of India vs. Asia

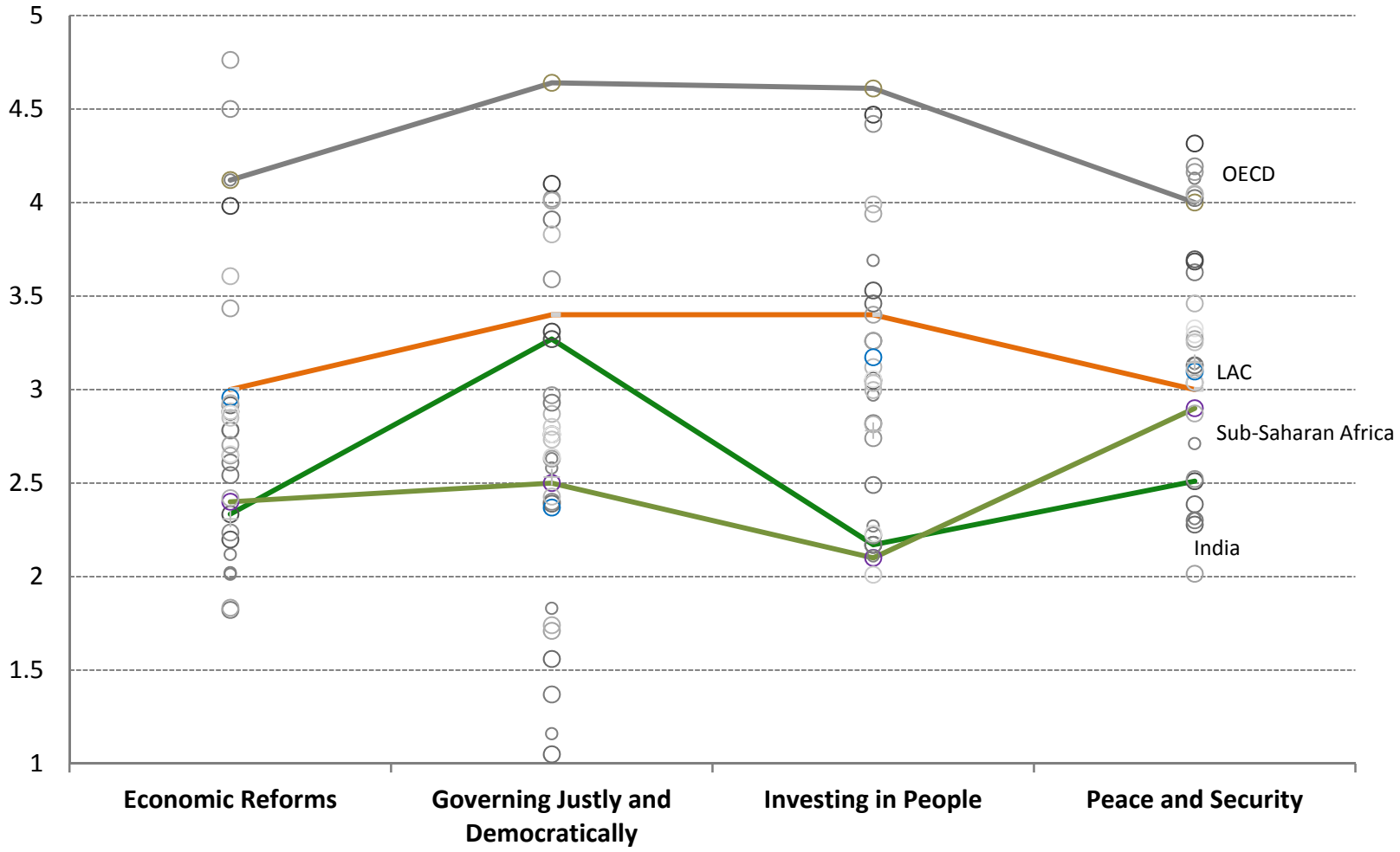


USAID/EE, MCP Global http://bit.ly/usaidmcp . The Asia average consists of 23 countries.

Figure 2

Updated

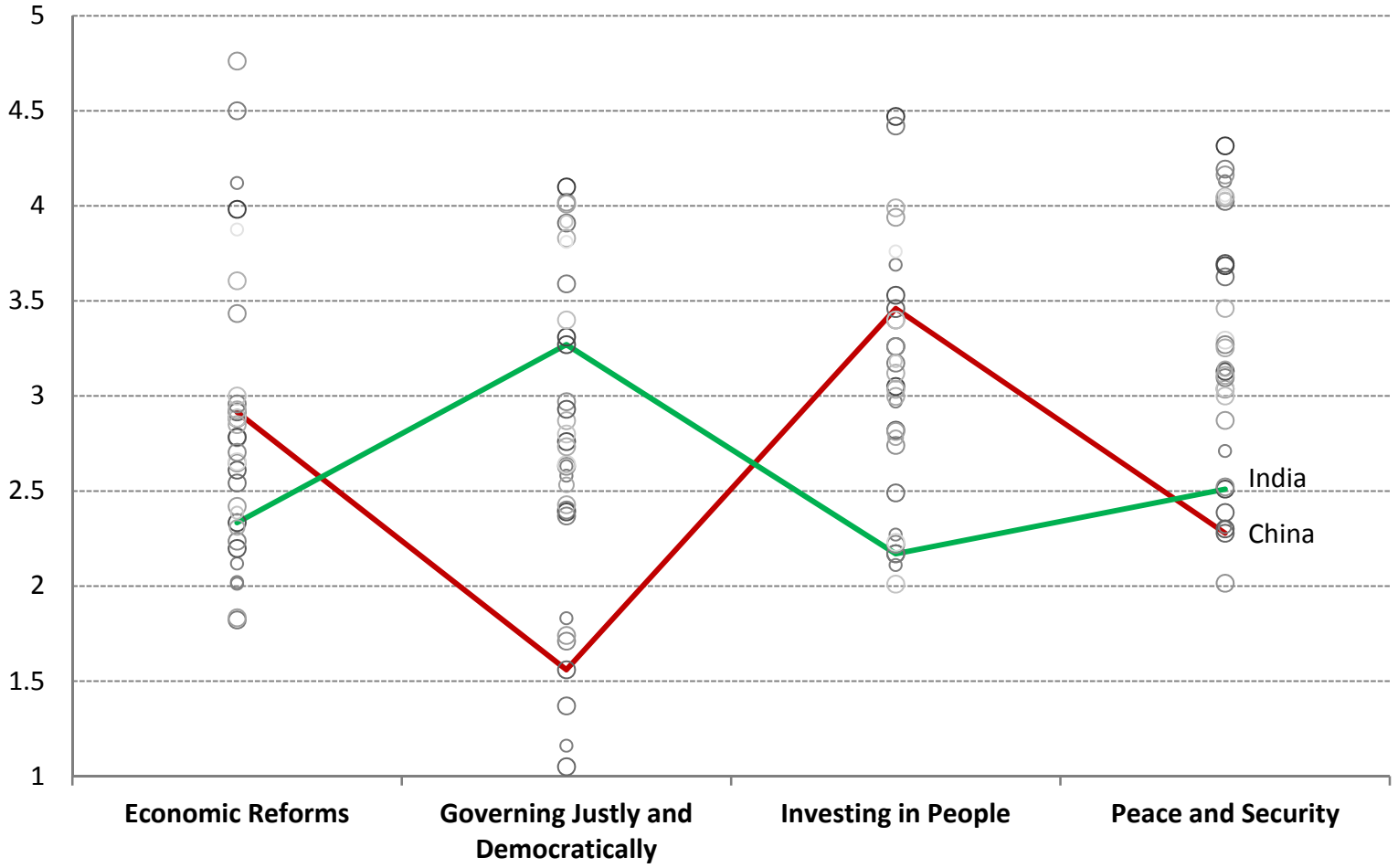
Development Profile of India vs. OECD, Latin America, and Sub-Saharan Africa



USAID/EE, MCP Global http://bit.ly/usaidmcp

Figure 3

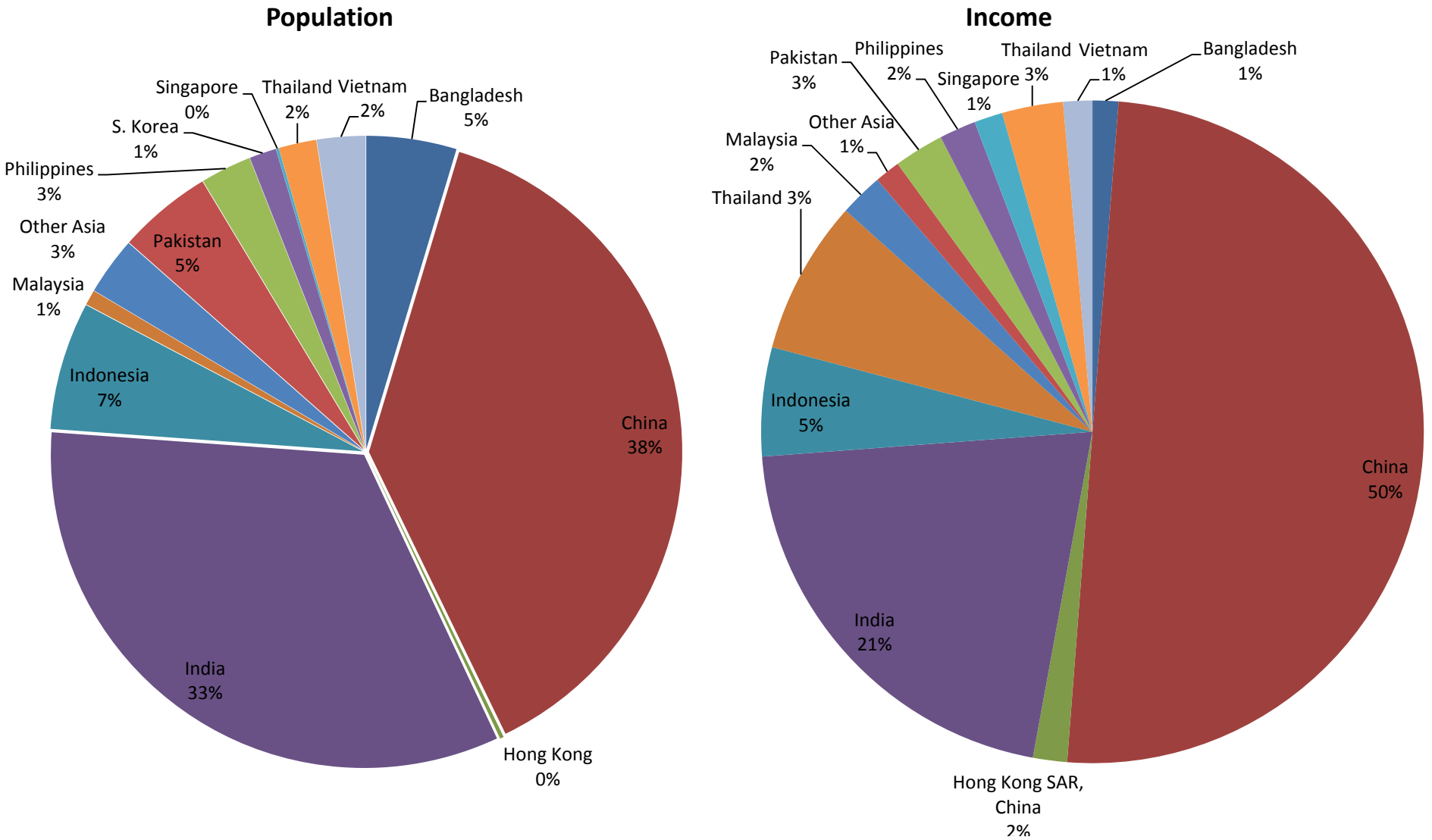
Development Profile of India vs. China



USAID/EE, MCP Global http://bit.ly/usaidmcp

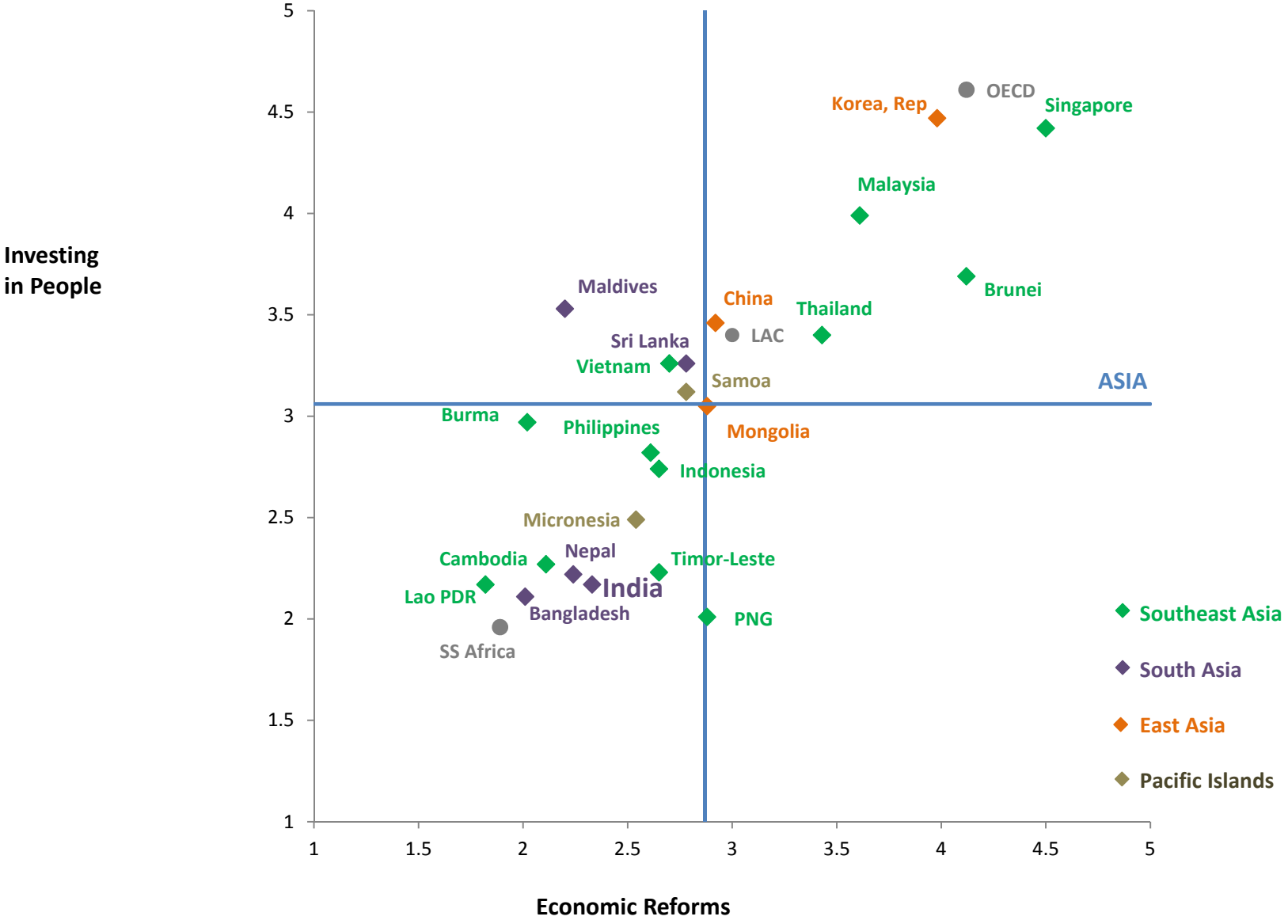
Figure 4

Population and Income in Developing Asia in 2009



World Bank, W*orld Development Indicators* (2011). Other Asia includes Bhutan, Cambodia, Laos, Maldives, Mongolia, Nepal, Sri Lanka. Income is in GDP (constant 2005 PPP$).

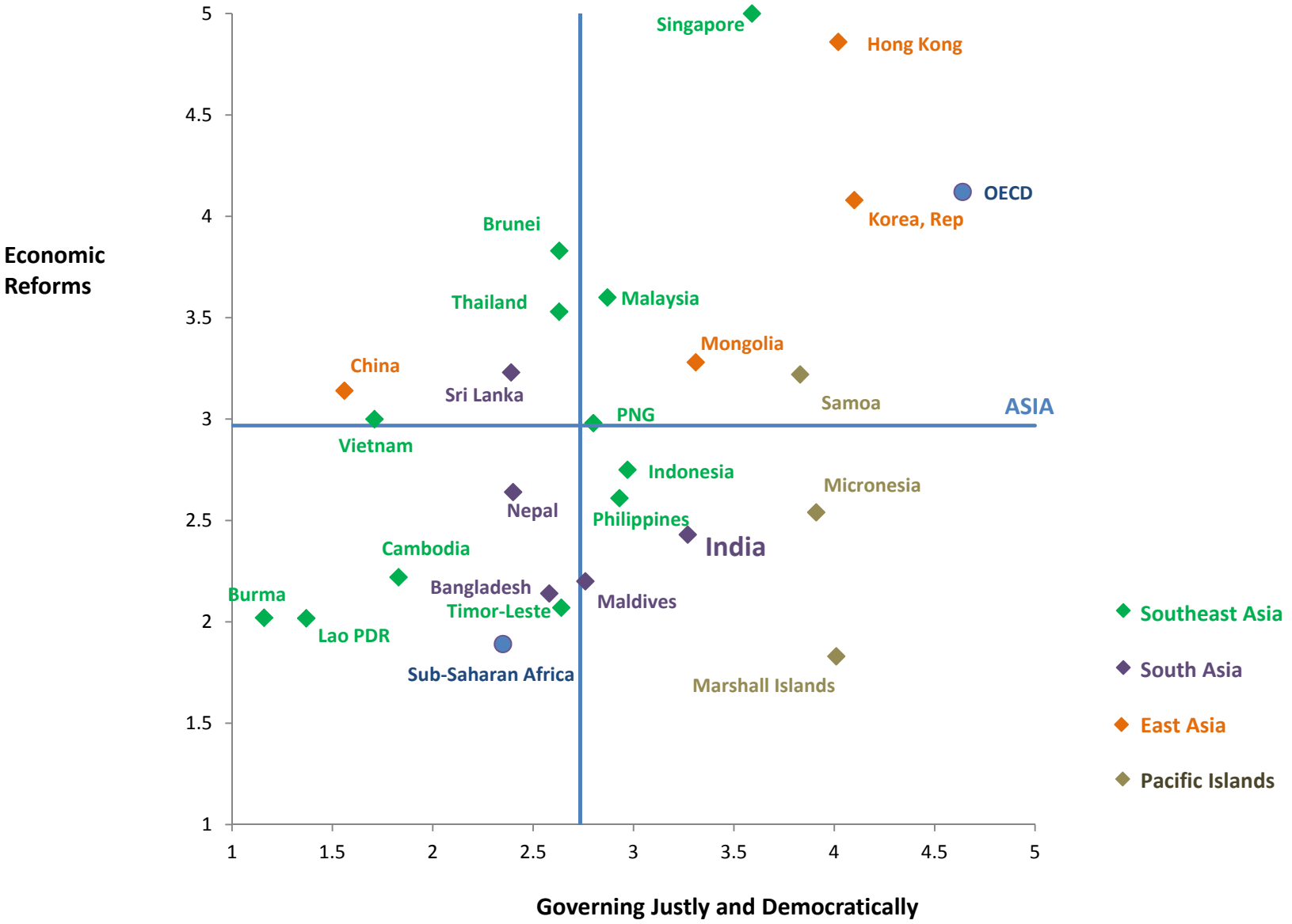
Figure 5: Investing in People and Economic Reforms in Asia in 2011



USAID/E&E, MCP Global http://bit.ly/usaidmcp

Figure 6

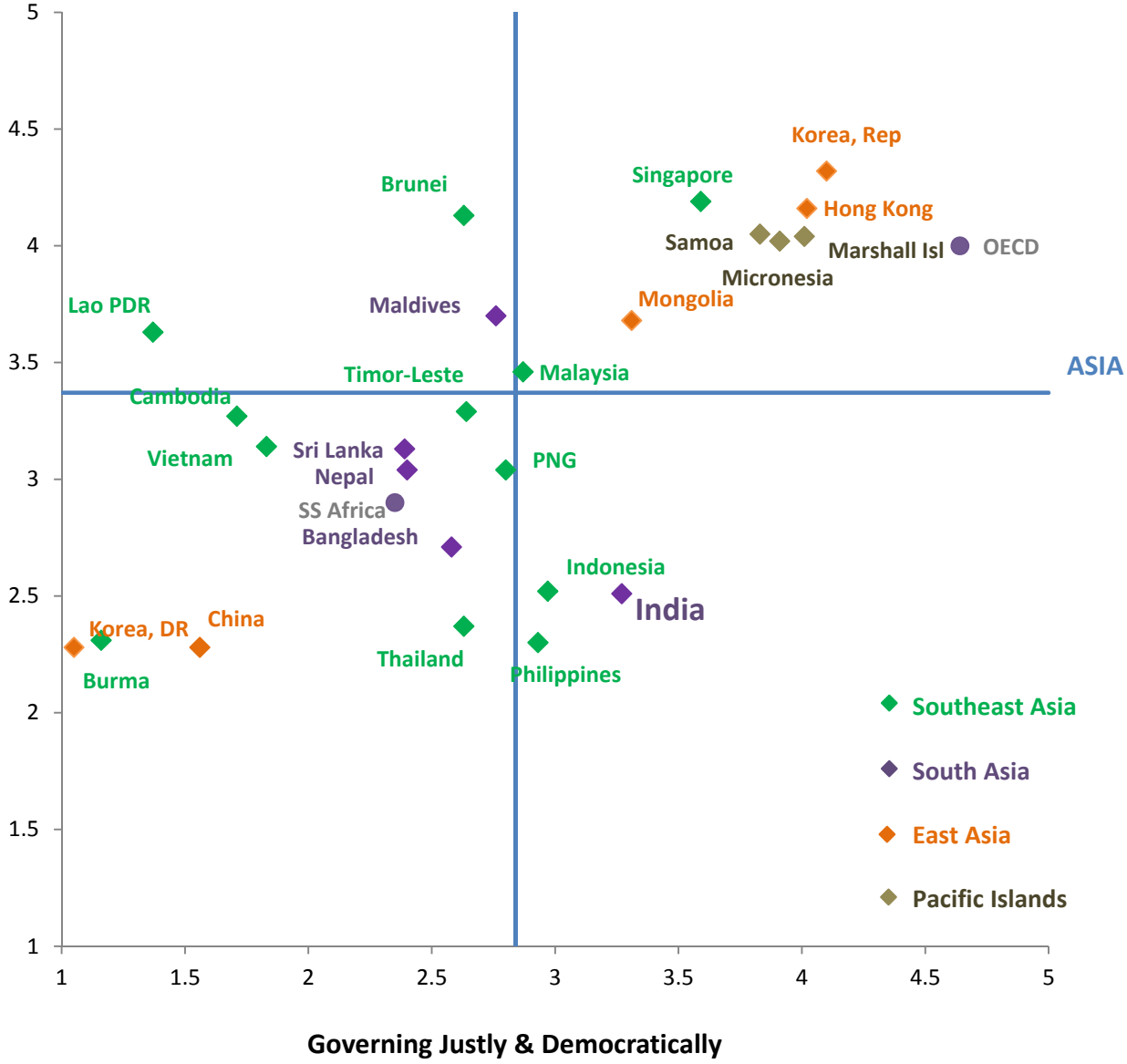
Economic Reforms and Governing Justly & Democratically in Asia in 2011



USAID/E&E, MCP Global http://bit.ly/usaidmcp

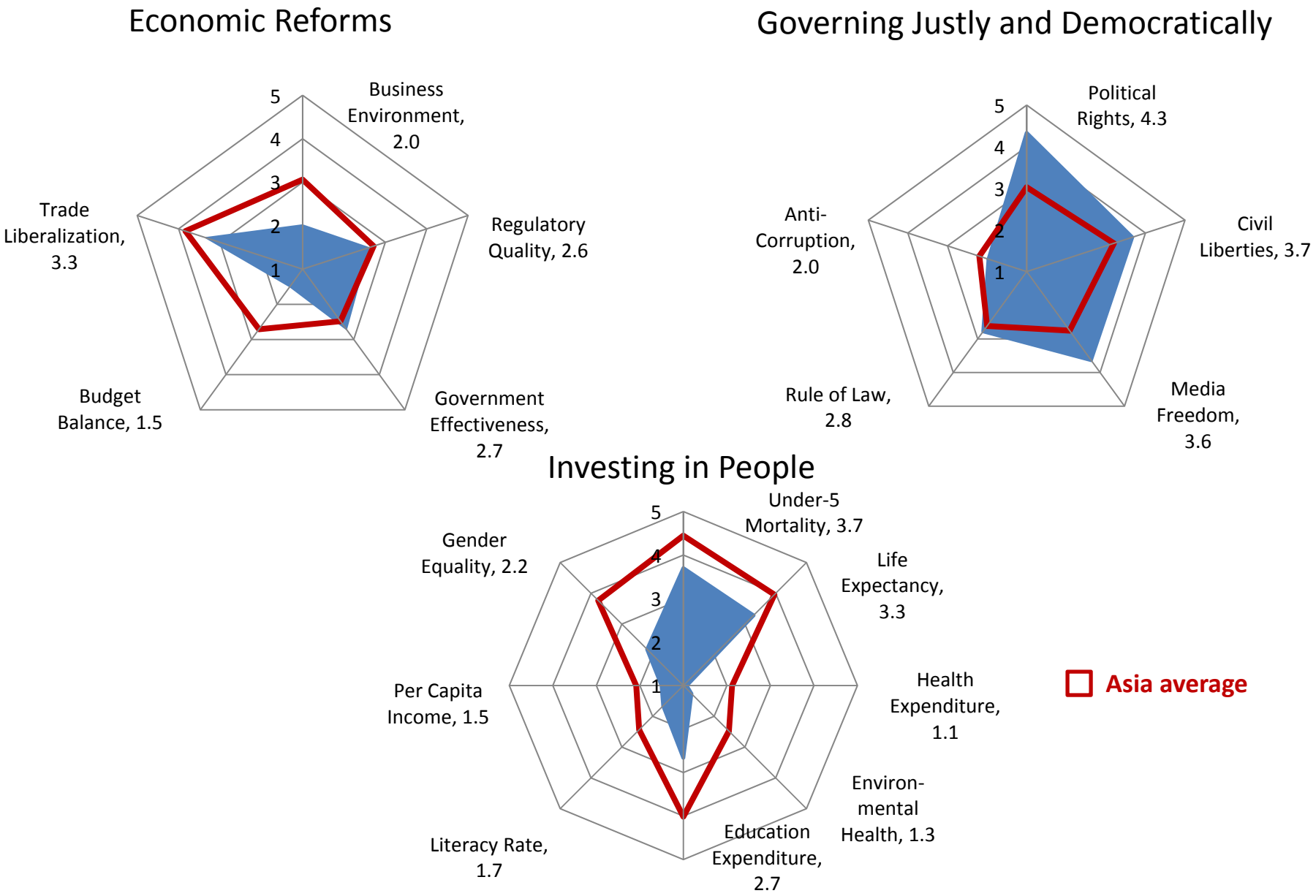
Updated

Figure 7: Peace & Security and Governing Justly & Democratically in Asia in 2011



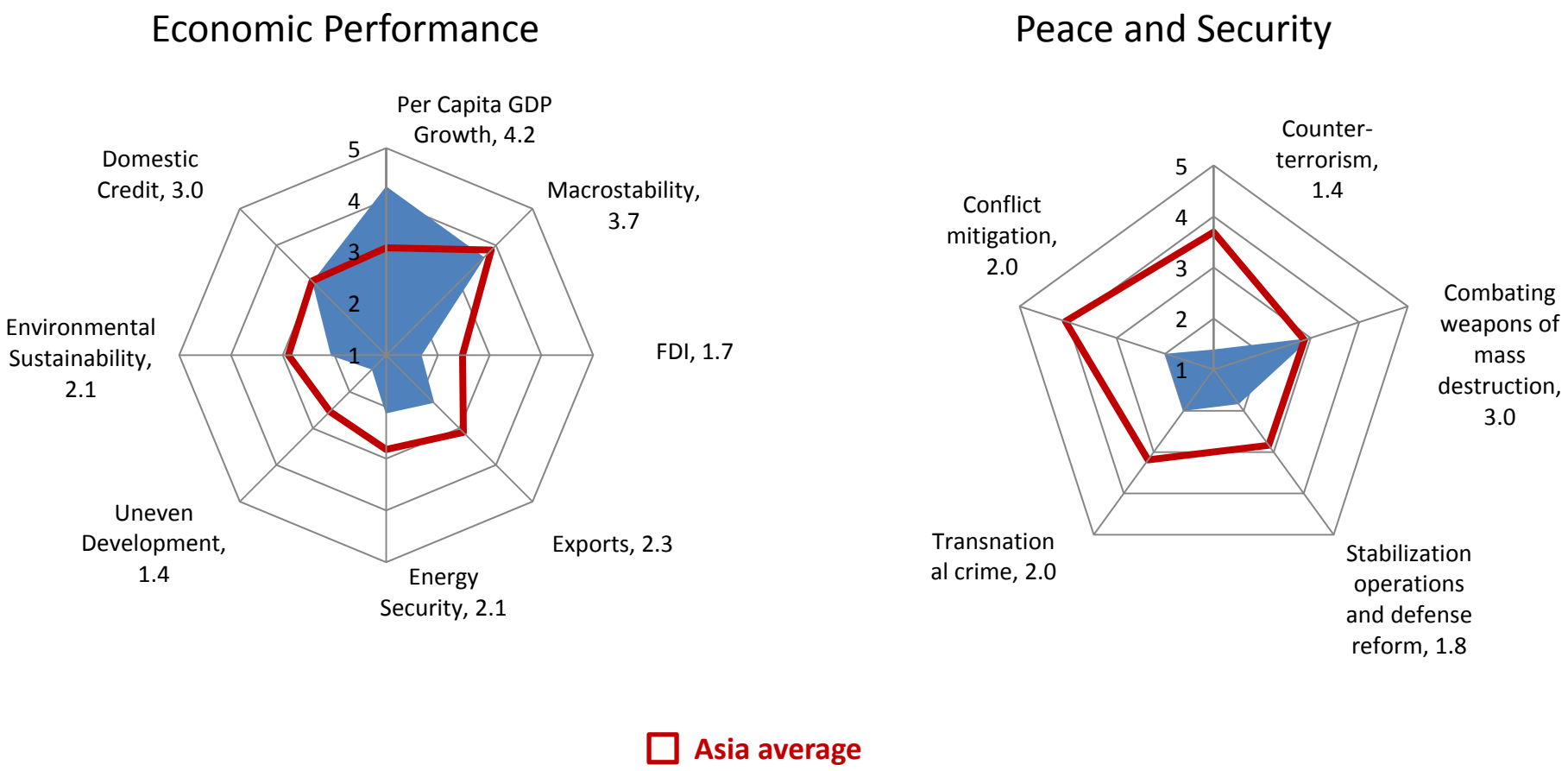
USAID/E&E, MCP Global http://bit.ly/usaidmcp

Figure 8: India, 2011-2012



USAID/E&E, MCP Global http://bit.ly/usaidmcp

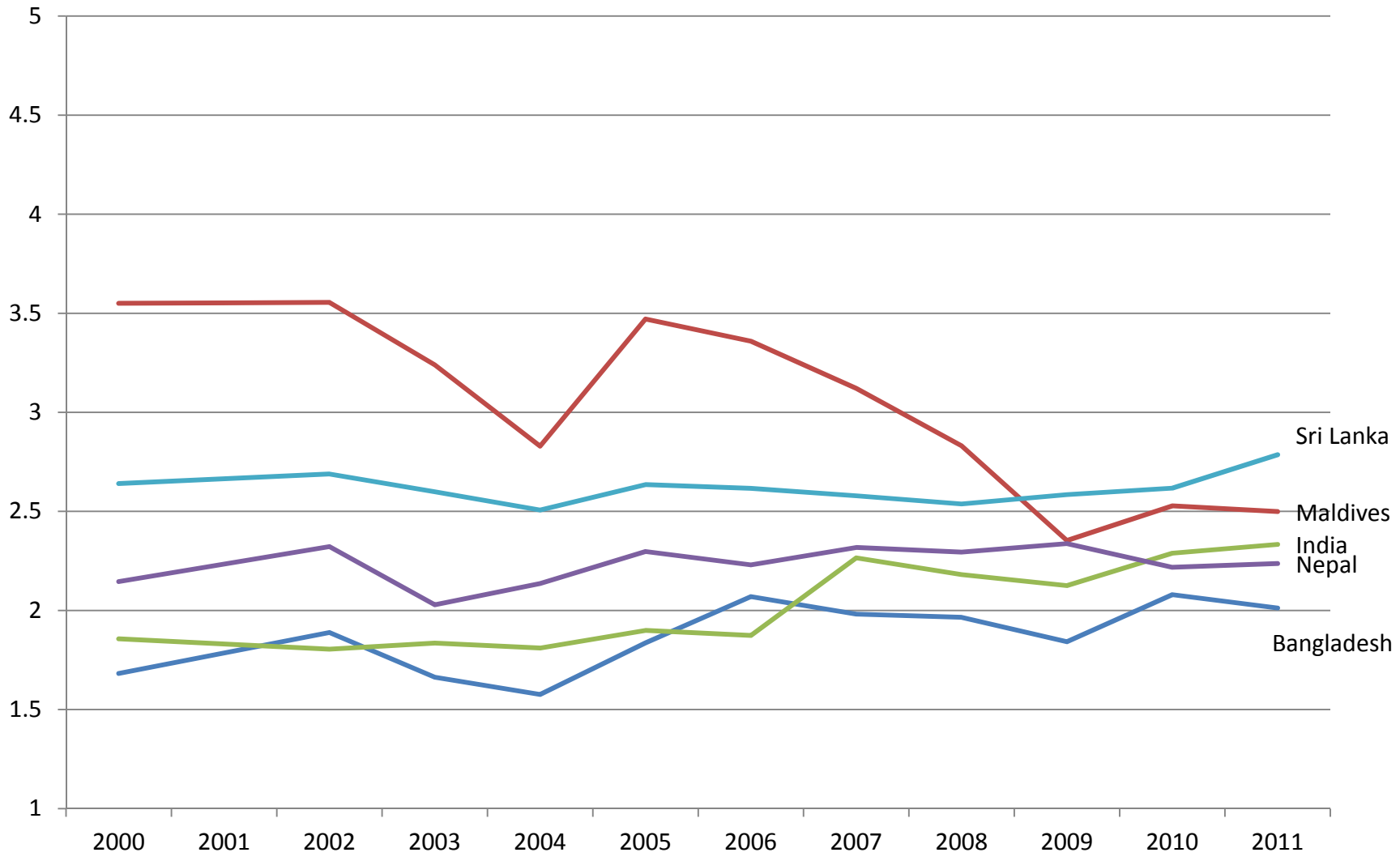
Figure 9: India, 2011-2012



USAID/E&E, MCP Global http://bit.ly/usaidmcp

Figure 10

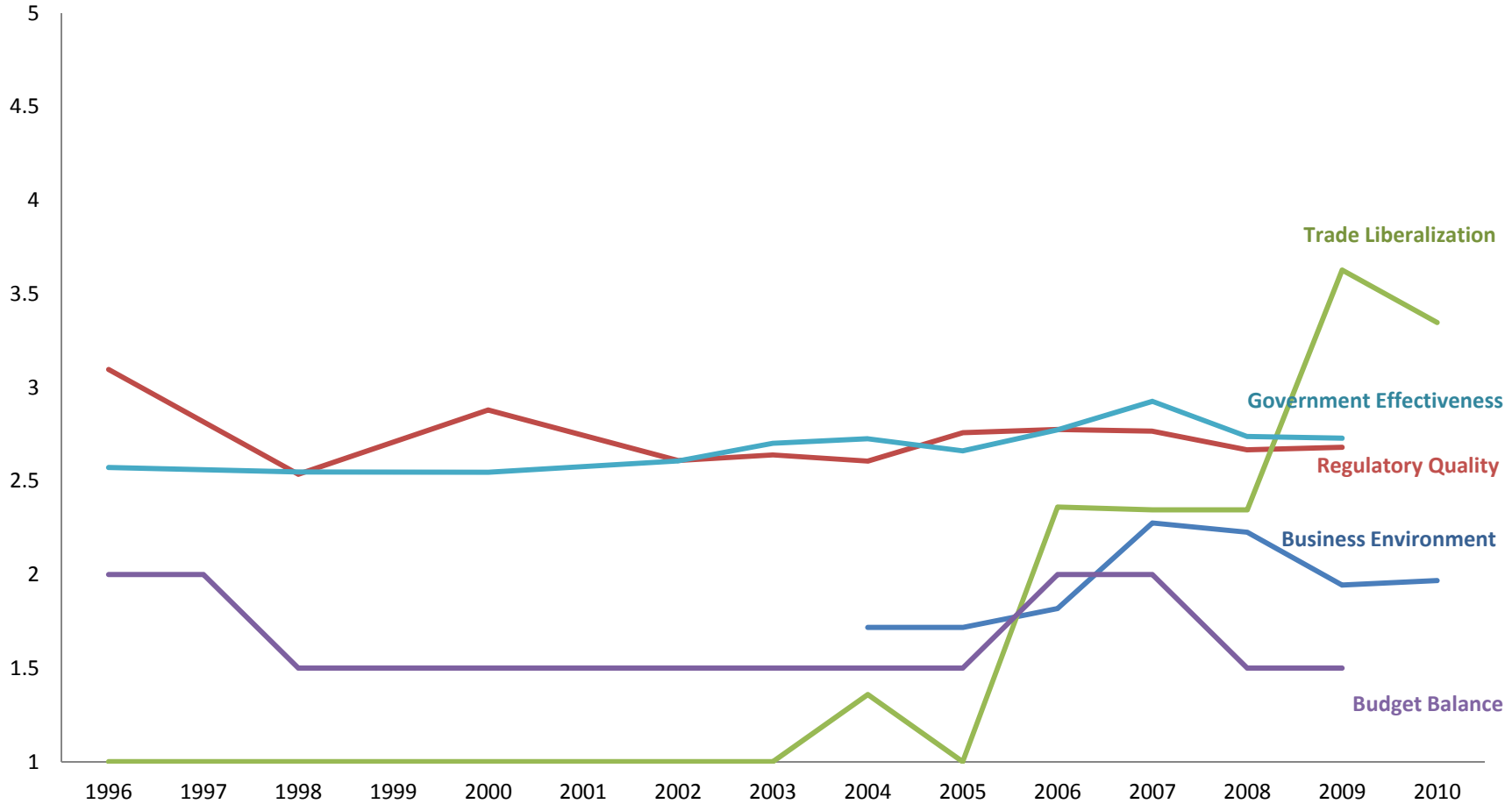
Economic Reforms in South Asia



USAID/E&E, MCP Global. Five indicators comprise economic reforms: business environment, regulatory quality; government effectiveness; budget balance; and trade liberalization.

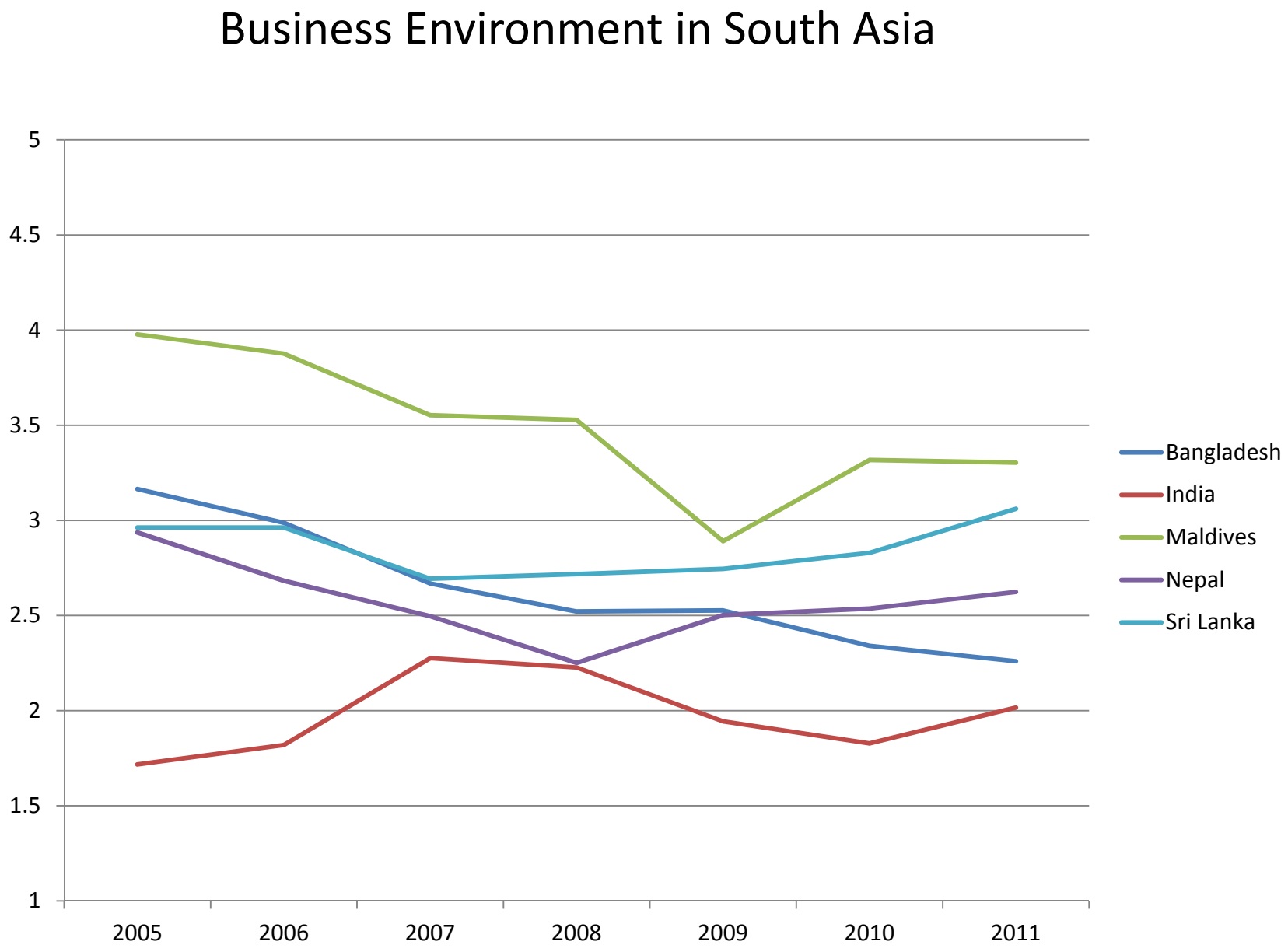
Figure 11

Economic Reforms in India



USAID/E&E, MCP Global.

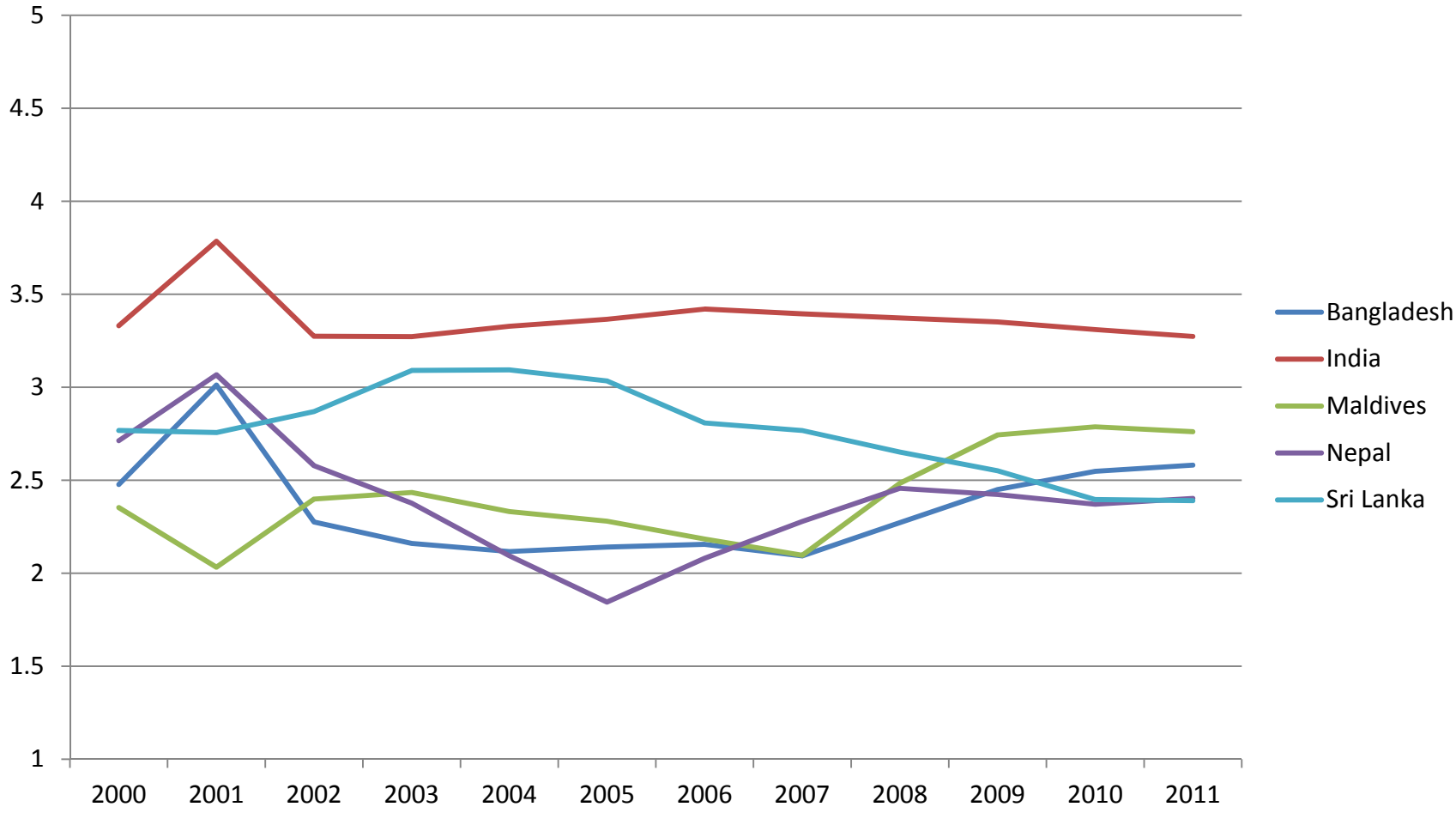
Figure 12



Calculated from World Bank *Doing Business* (various years).

Figure 13

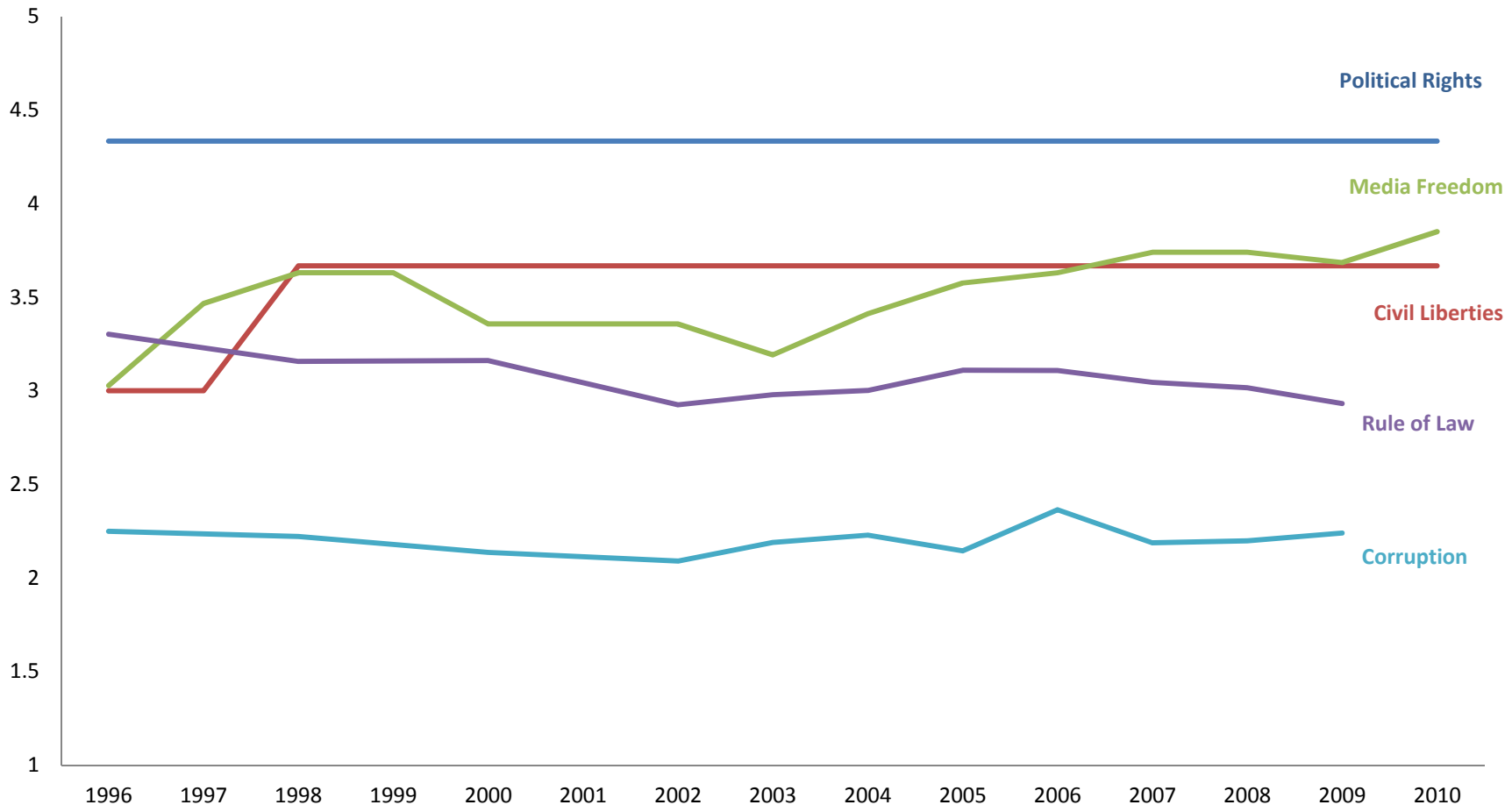
Governing Justly & Democratically in South Asia



USAID/E&E, MCP Global. Drawn from Freedom House, *Freedom in the World* and *Freedom of the Press*; and the World Bank, *Governance Matters*, various years.

Figure 14

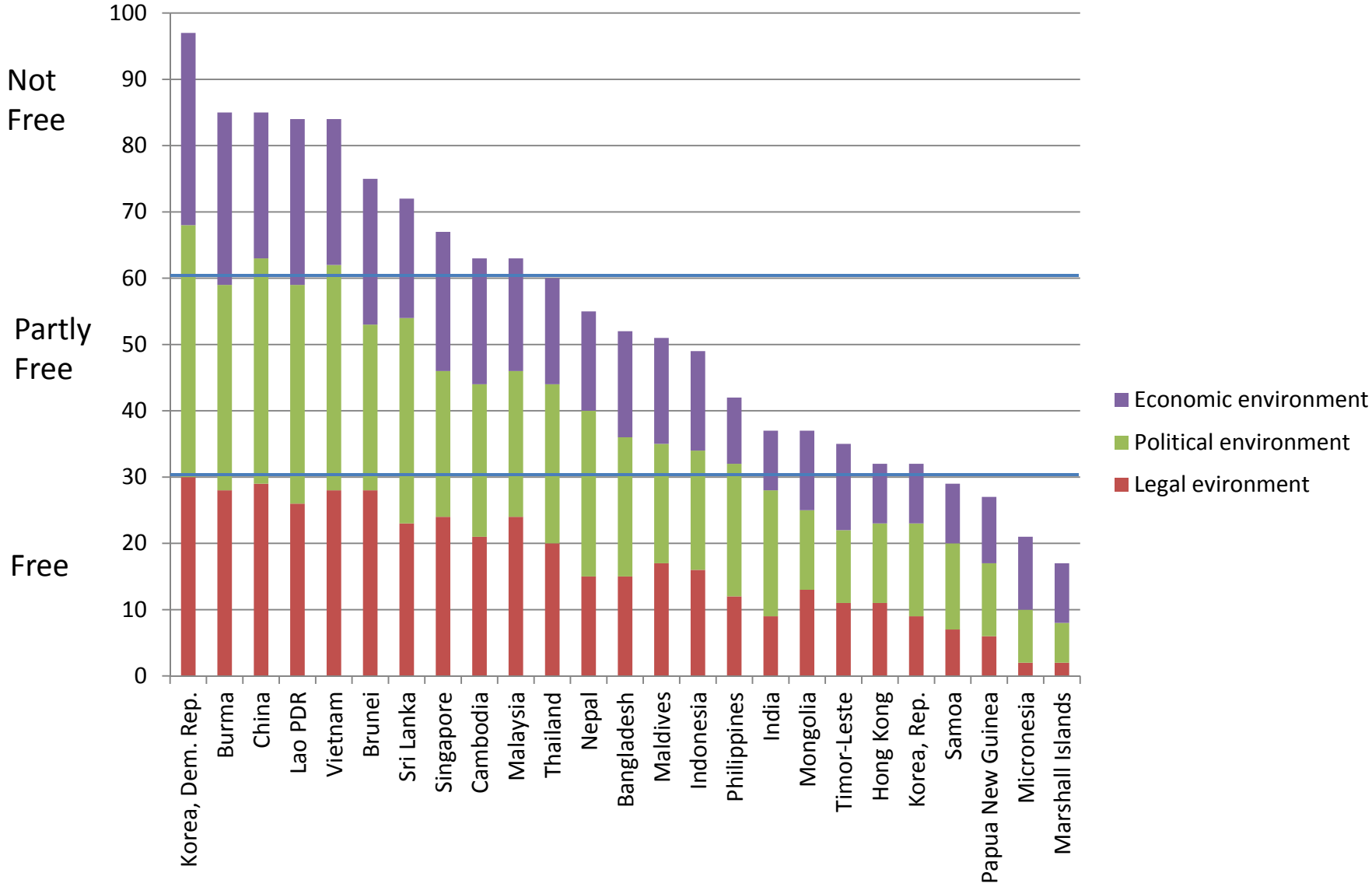
Governing Justly & Democratically in India



USAID/E&E, MCP Global. Drawn from Freedom House, *Freedom in the World* and *Freedom of the Press*; and the World Bank, *Governance Matters*, various years.

Figure 15

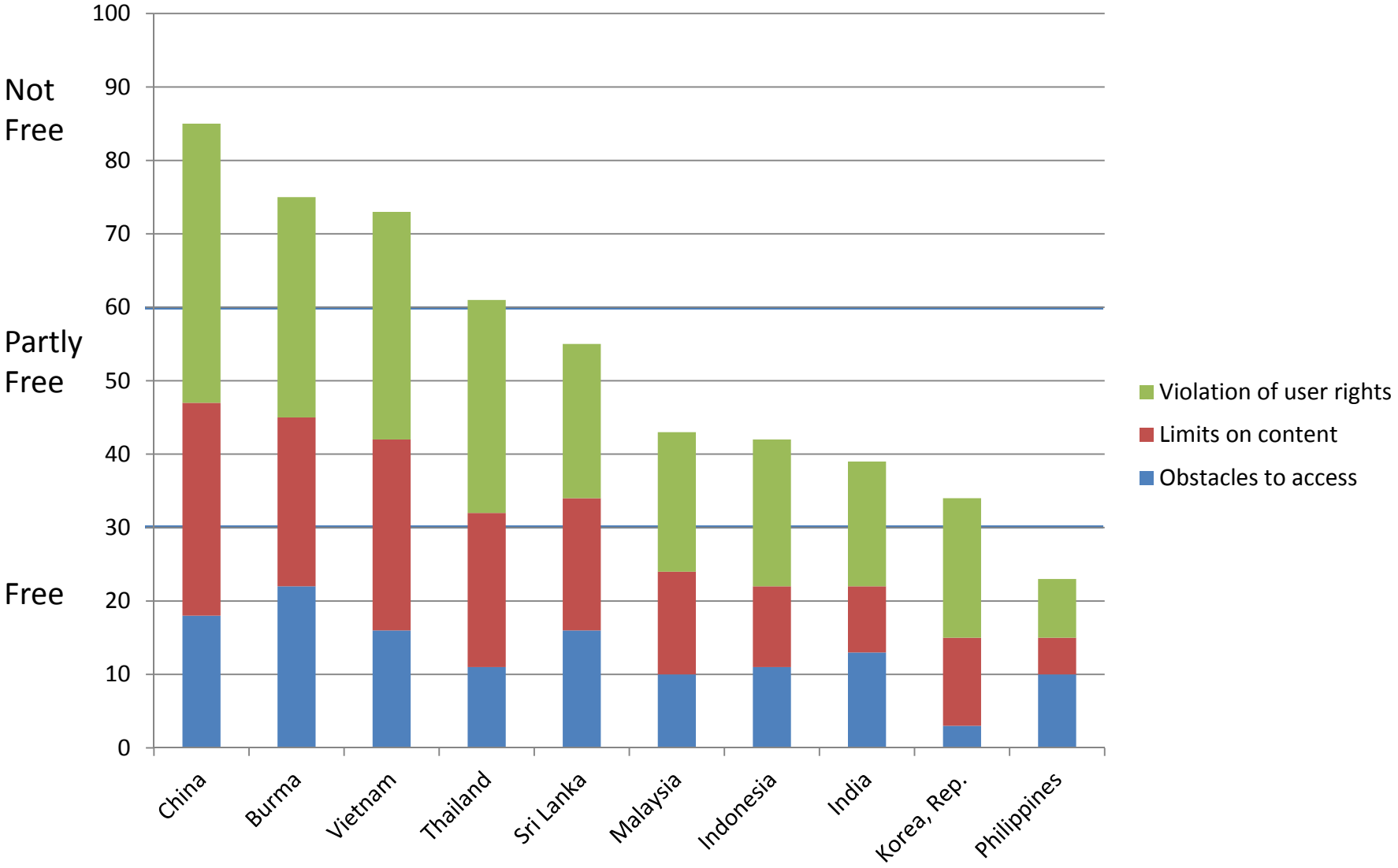
Freedom of the Press in Asia



Countries are given a total score from 0 (best) to 100 (worst) on the basis of a set of 23 methodology questions divided into three subcategories. Assigning numerical points allows for comparative analysis among the countries surveyed and facilitates an examination of trends over time. The degree to which each country permits the free flow of news and information determines the classification of its media as "Free," "Partly Free," or "Not Free." Countries scoring 0 to 30 are regarded as having "Free" media; 31 to 60, "Partly Free" media; and 61 to 100, "Not Free" media. Freedom House, *Freedom of the Press* (2011-2012).

Figure 16

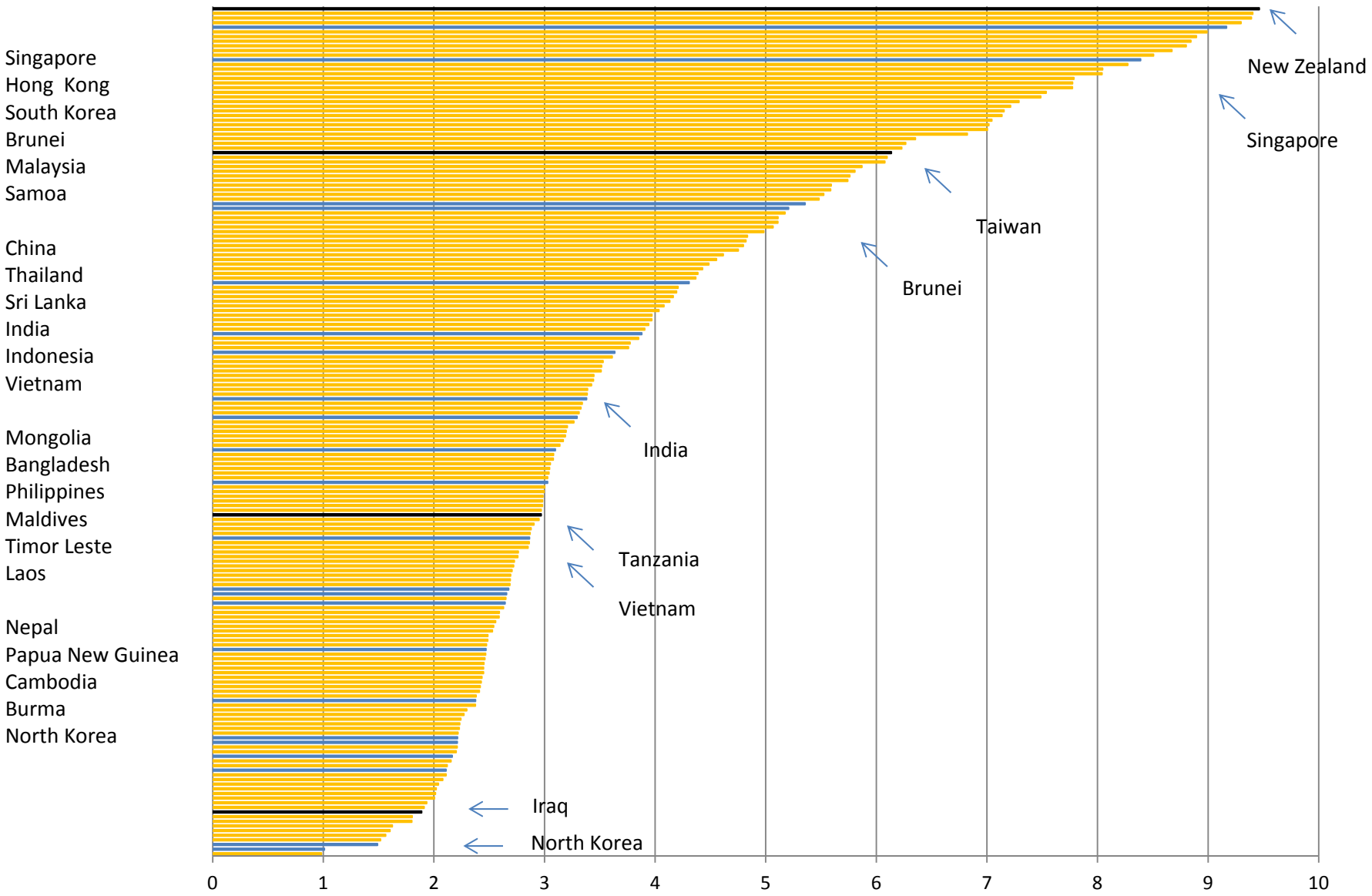
Freedom on the Net in Asia



Countries are given a total score from 0 (best) to 100 (worst) on the basis of a set of 23 methodology questions divided into three subcategories. Assigning numerical points allows for comparative analysis among the countries surveyed and facilitates an examination of trends over time. The degree to which each country permits the free flow of news and information determines the classification of its media as "Free," "Partly Free," or "Not Free." Countries scoring 0 to 30 are regarded as having "Free" media; 31 to 60, "Partly Free" media; and 61 to 100, "Not Free" media. Freedom House, *Freedom on the Net* (2011-2012).

Figure 17
Updated

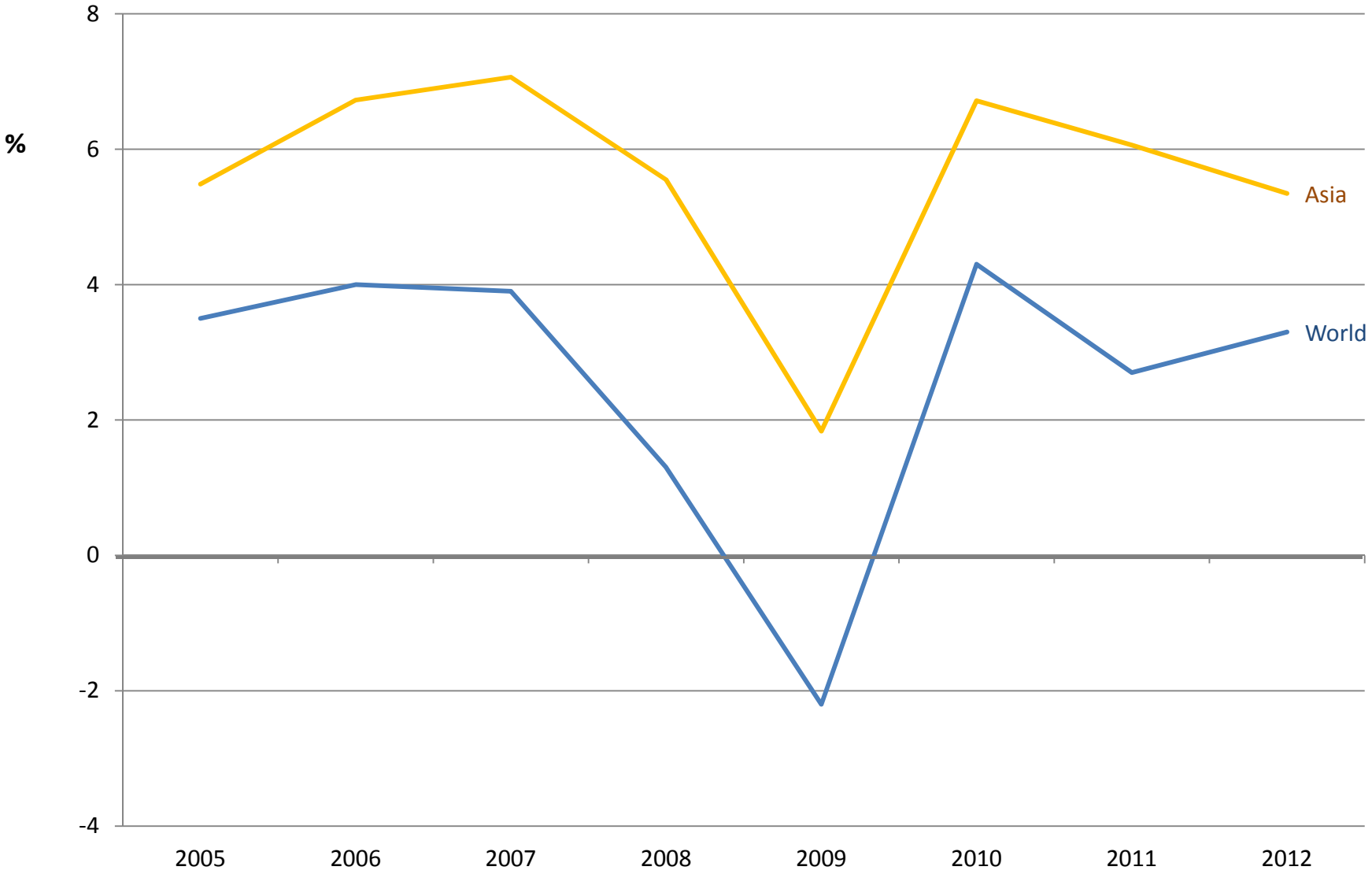
The Perception of Corruption in 2011



Transparency International, *Corruption Perceptions Index*, 2011. Scores are based from 0 (highly corrupt) to 10 (very clean).

Figure 18

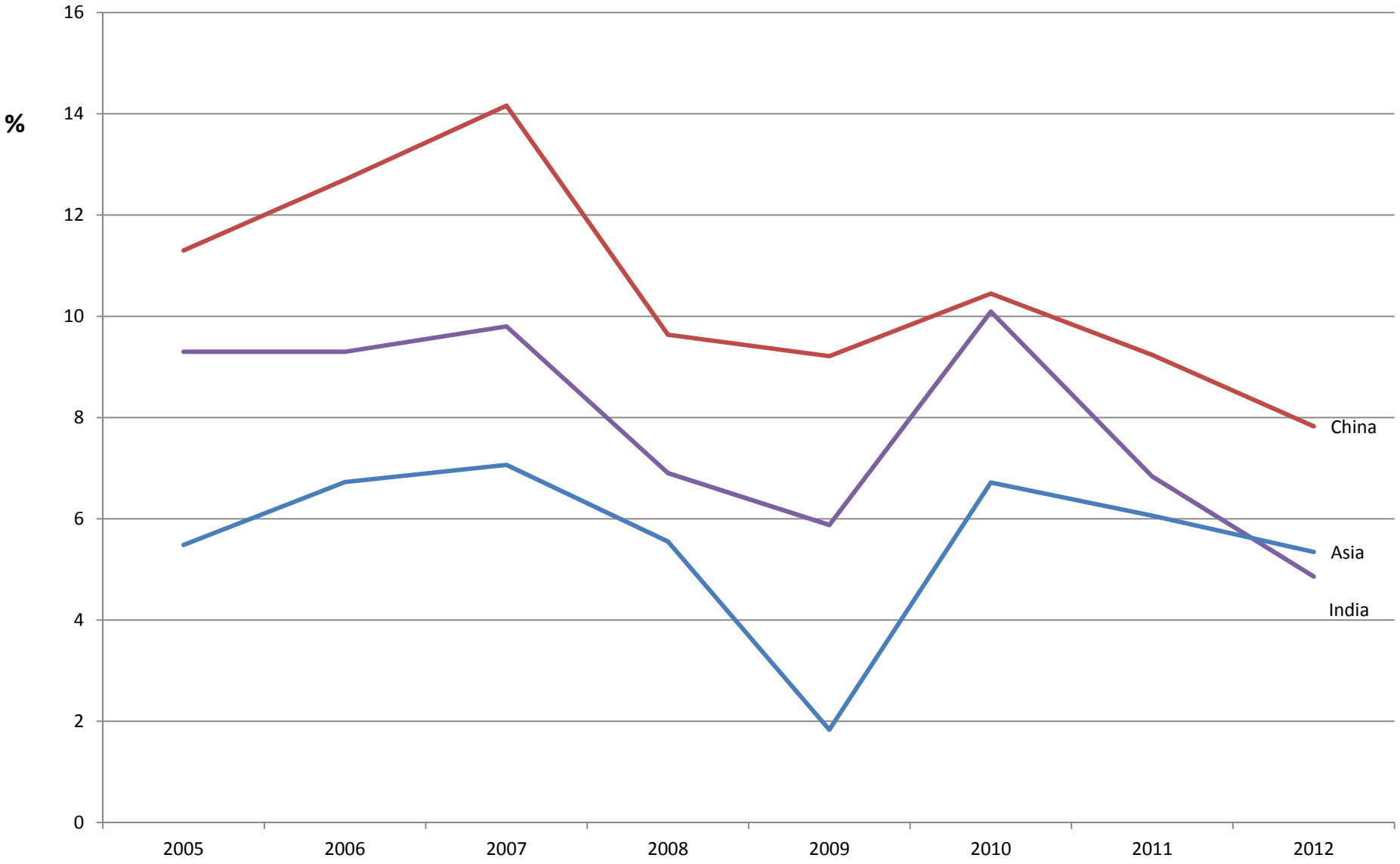
Economic Growth and Contraction in Asia and the World



IMF, *World Economic Outlook* (October 2012).

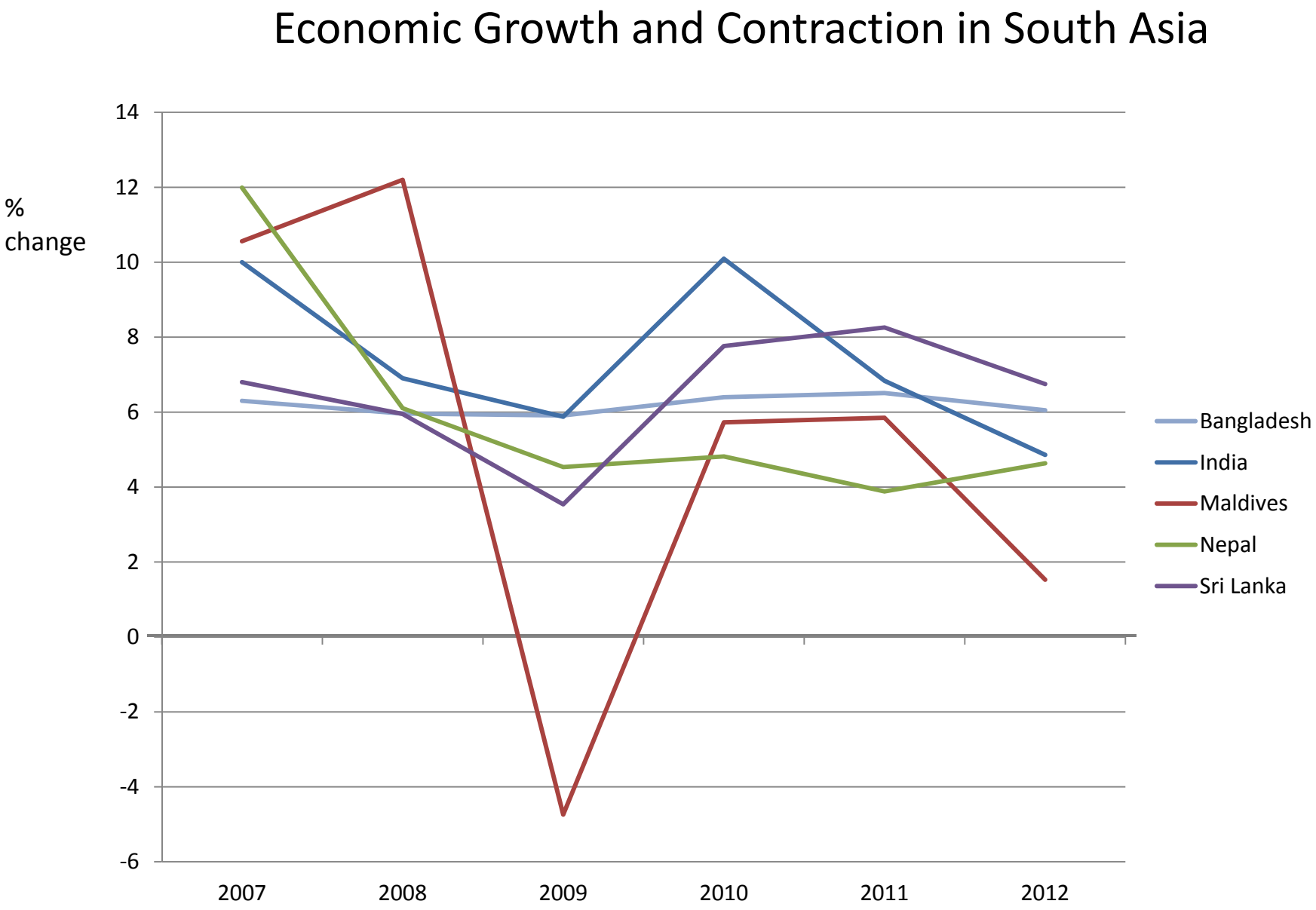
Figure 19
Updated

Economic Growth in India vs. China and Asia



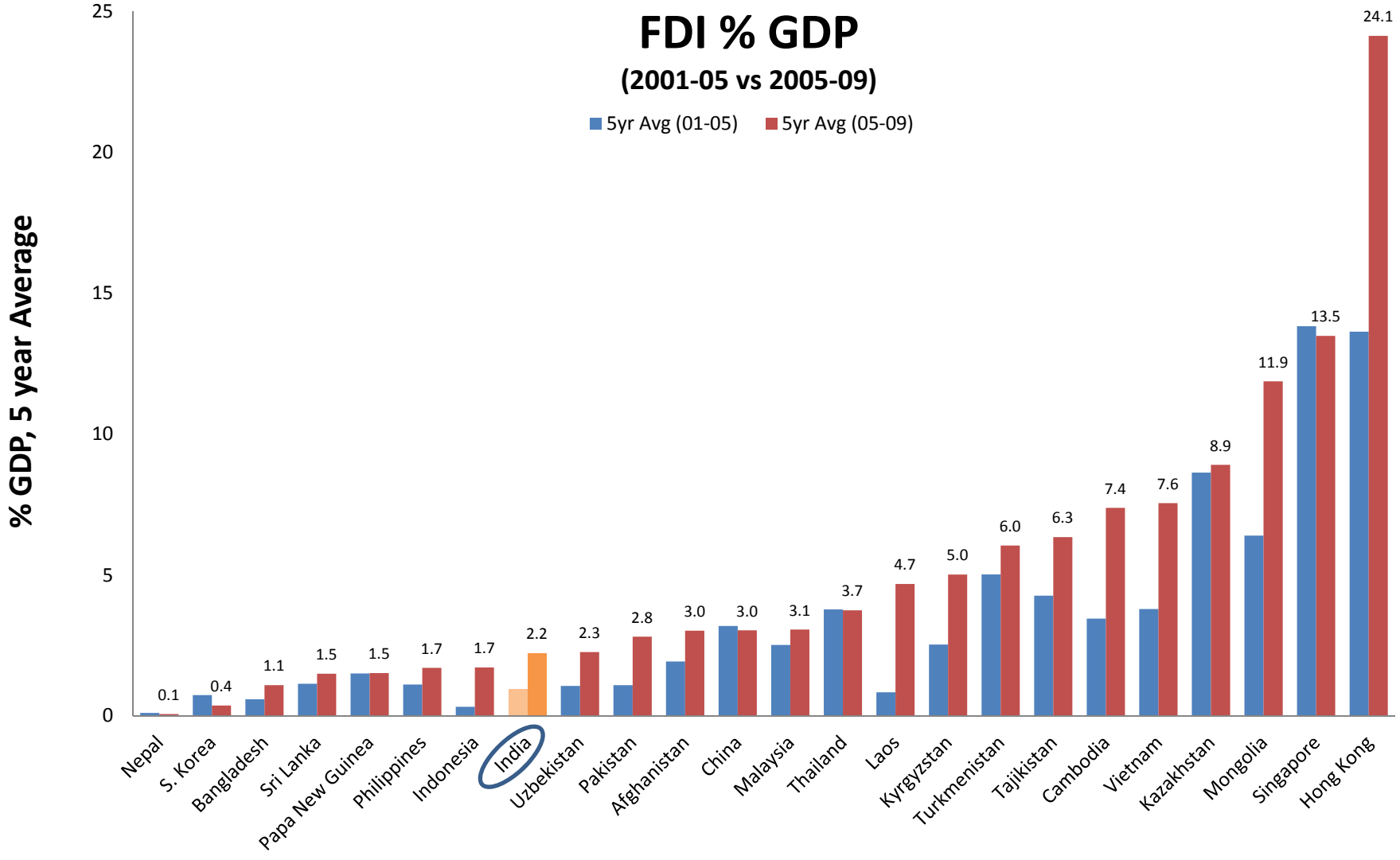
IMF, *World Economic Outlook* (October 2012)

Figure 20



IMF, *World Economic Outlook* (October 2012).

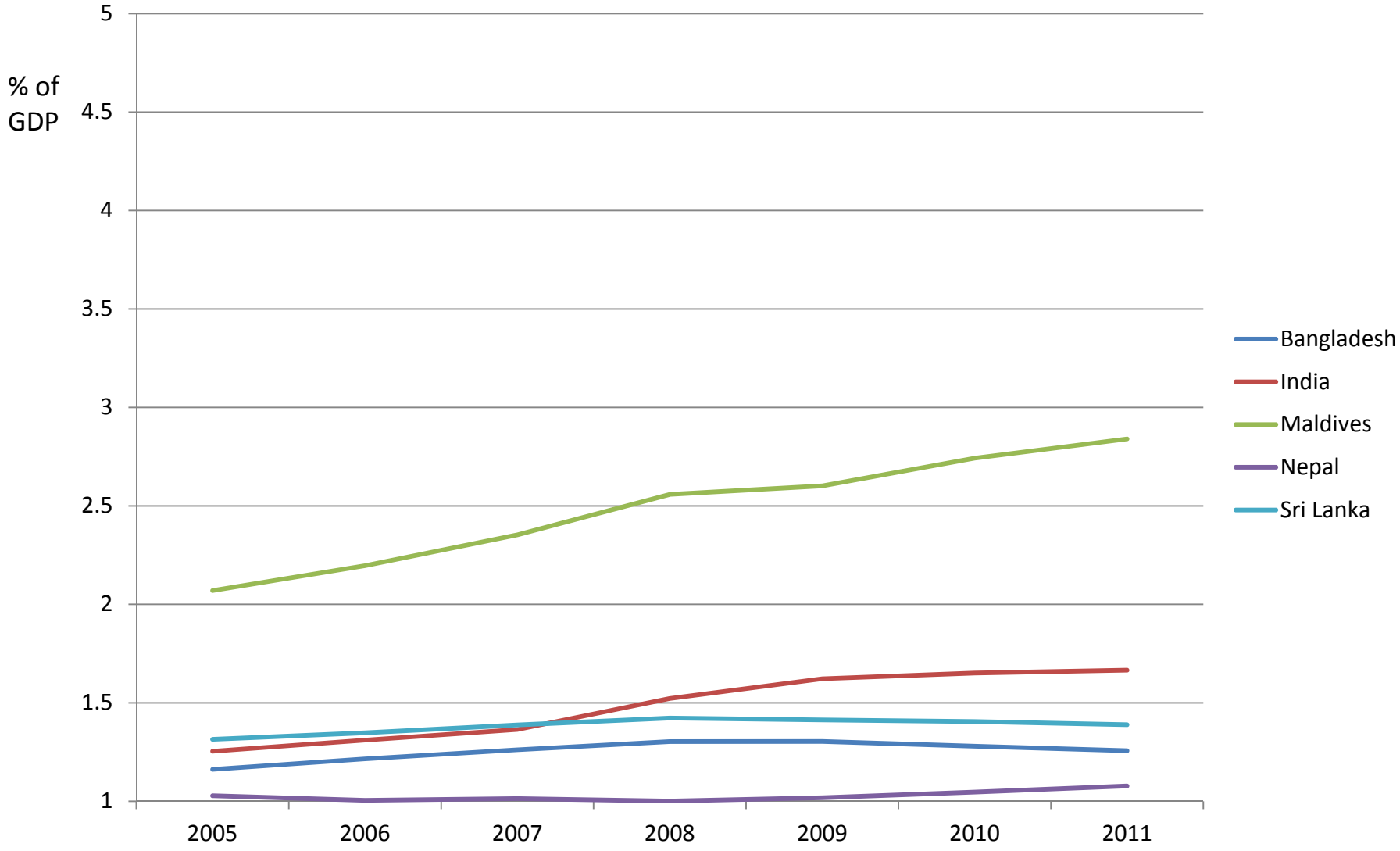
Figure 21



World Bank, W*orld Development Indicators* (2011).

Figure 22

Foreign Direct Investment in South Asia (percent of GDP),

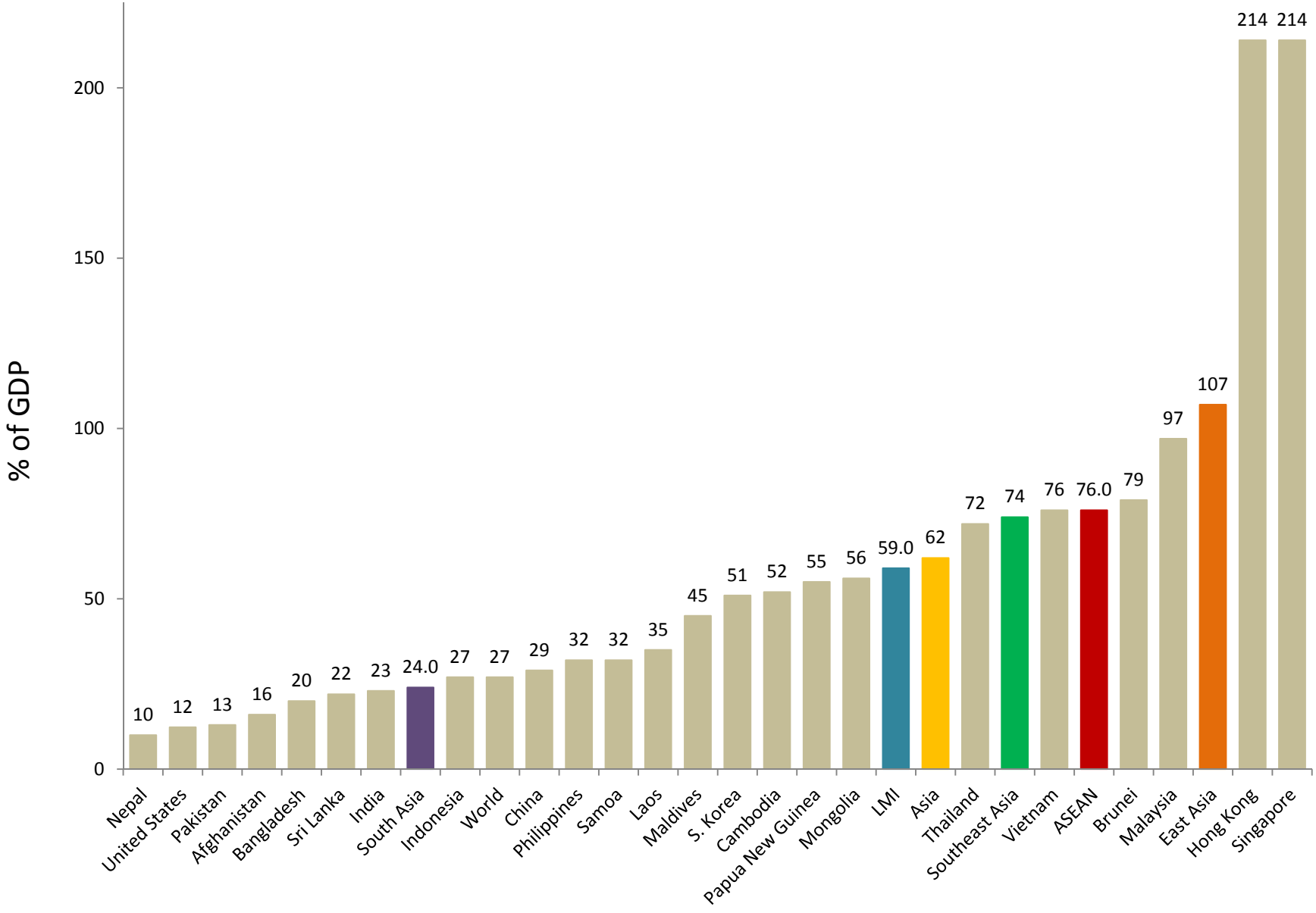


World Bank, *World Development Indicators*, 2012.

Figure 23

Export Share of GDP

(3-Year average, 2009-2011)

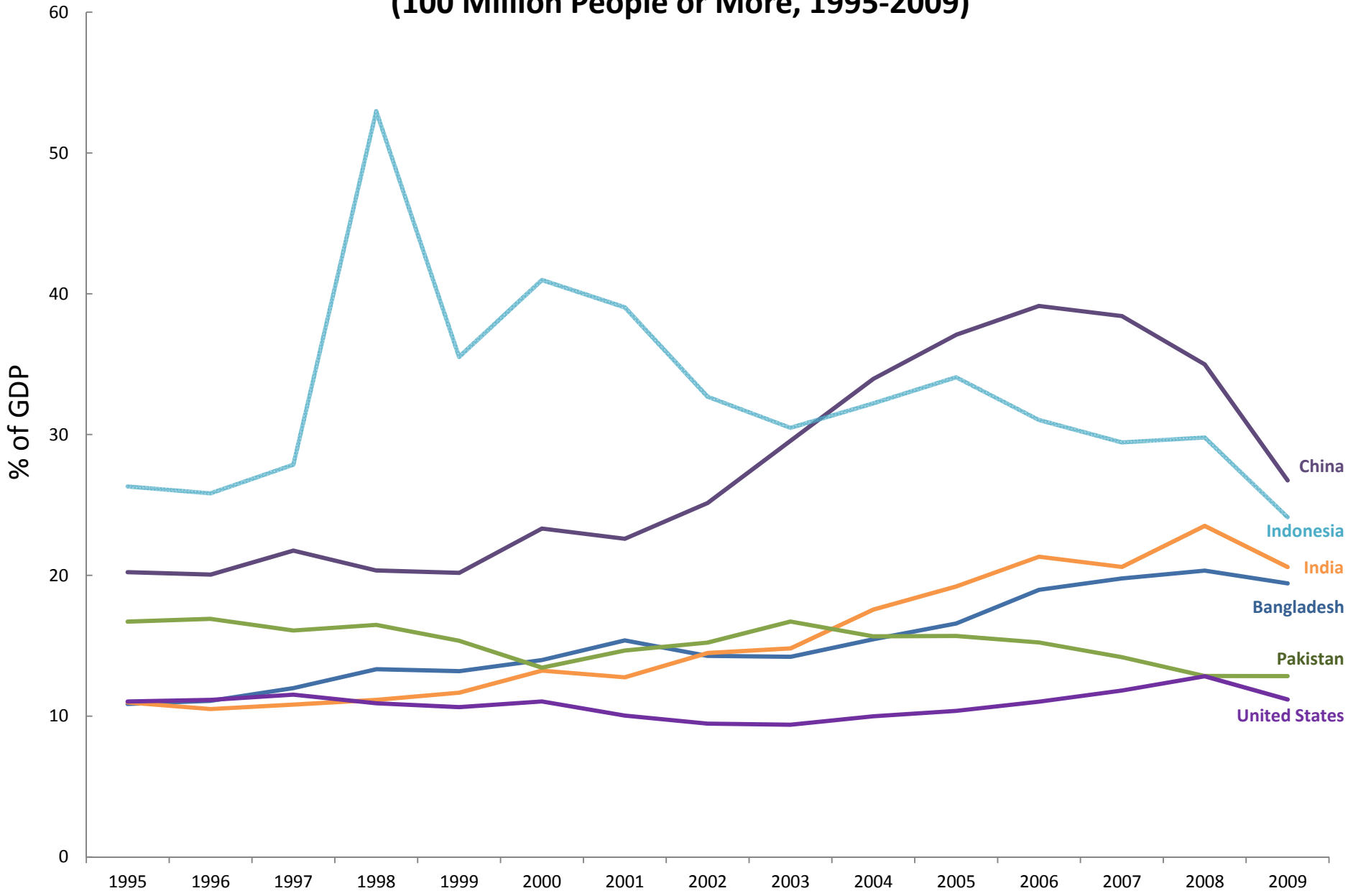


World Bank, W*orld Development Indicators* (2012).

Figure 24

Export Share of GDP of Large Countries

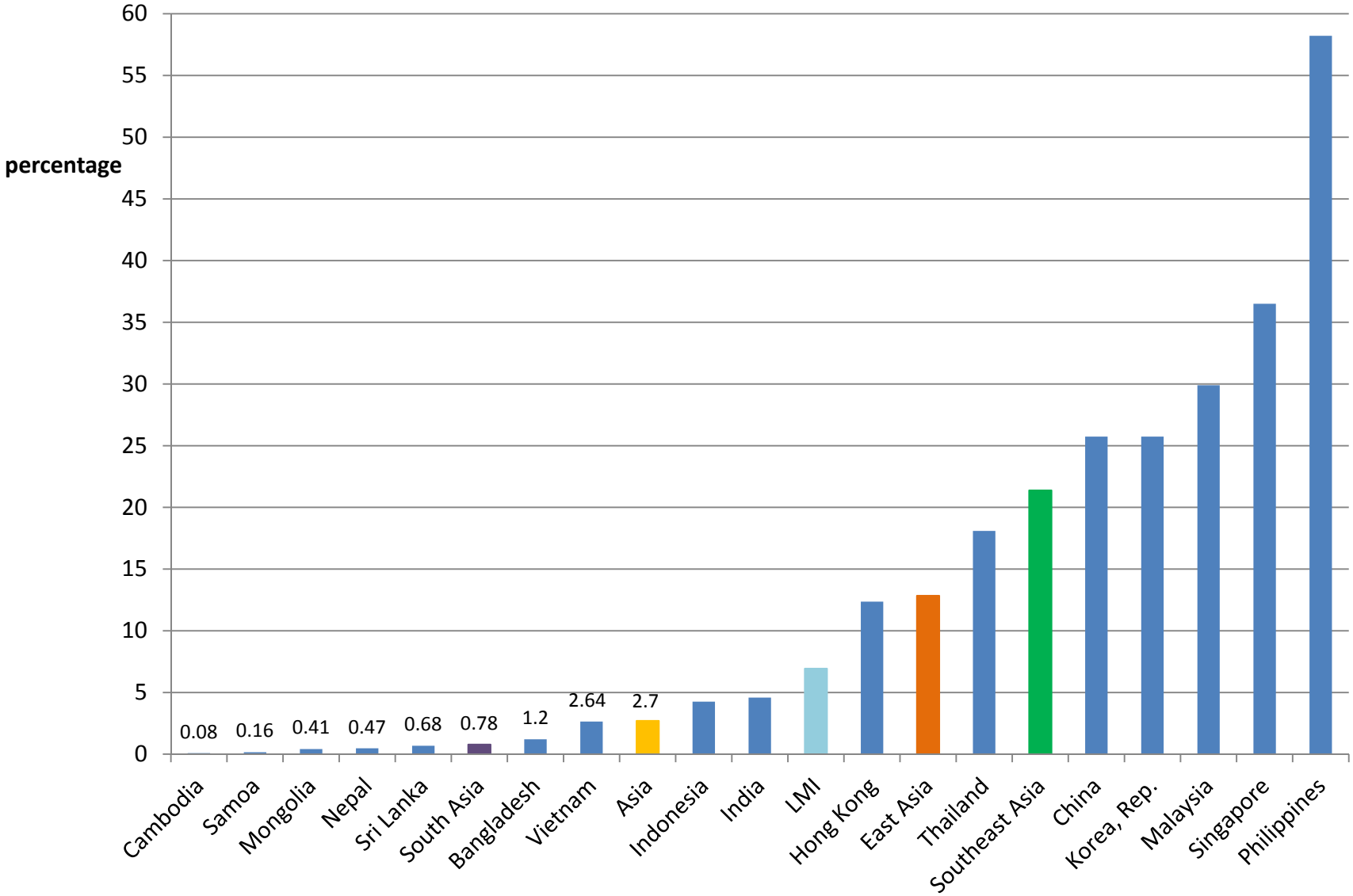
(100 Million People or More, 1995-2009)



World Bank, W*orld Development Indicators* (2011).

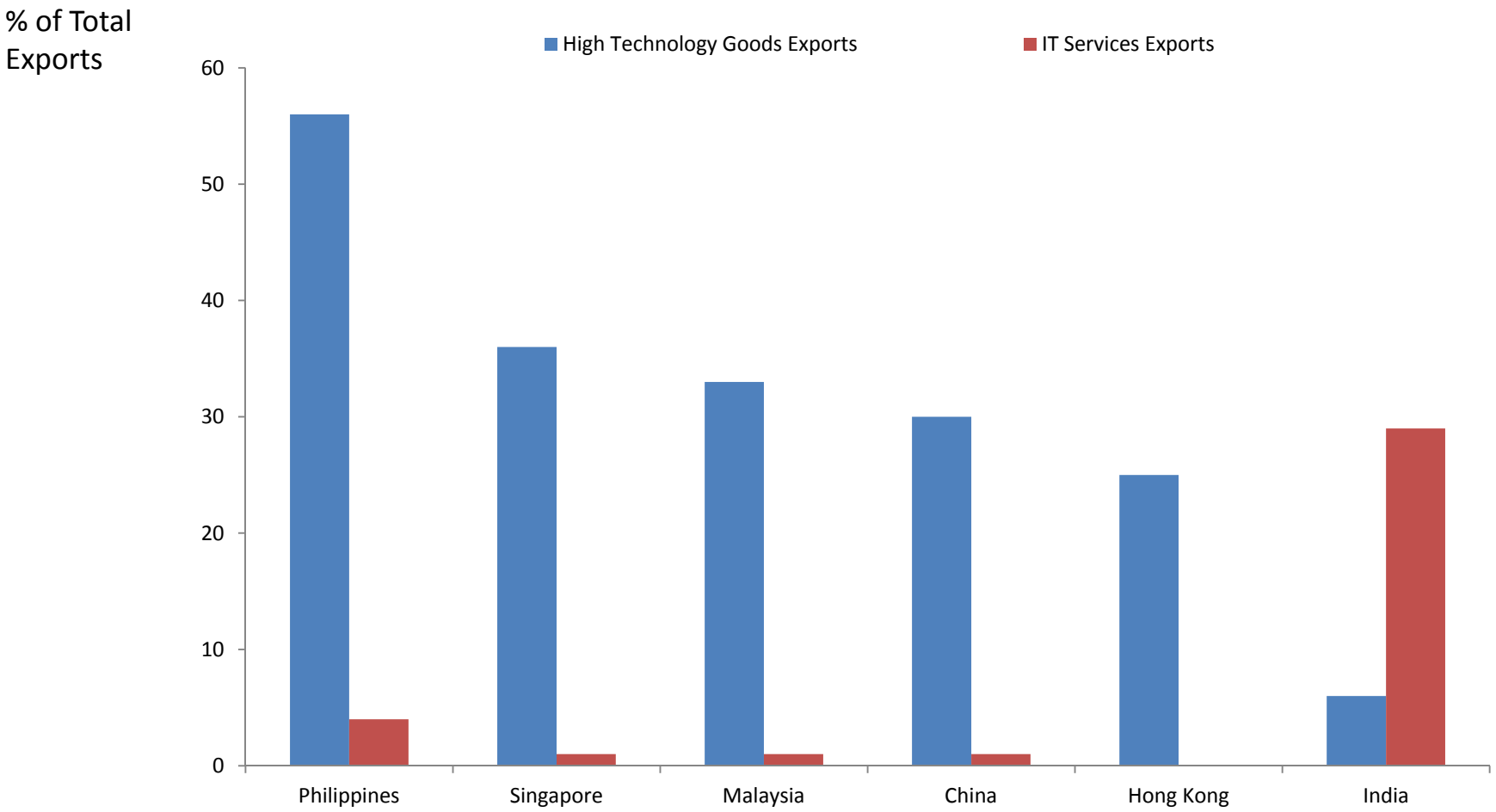
Figure 25

High-Tech Exports
(as a percentage of total exports)



World Bank, *World Development Indicators* (2012).

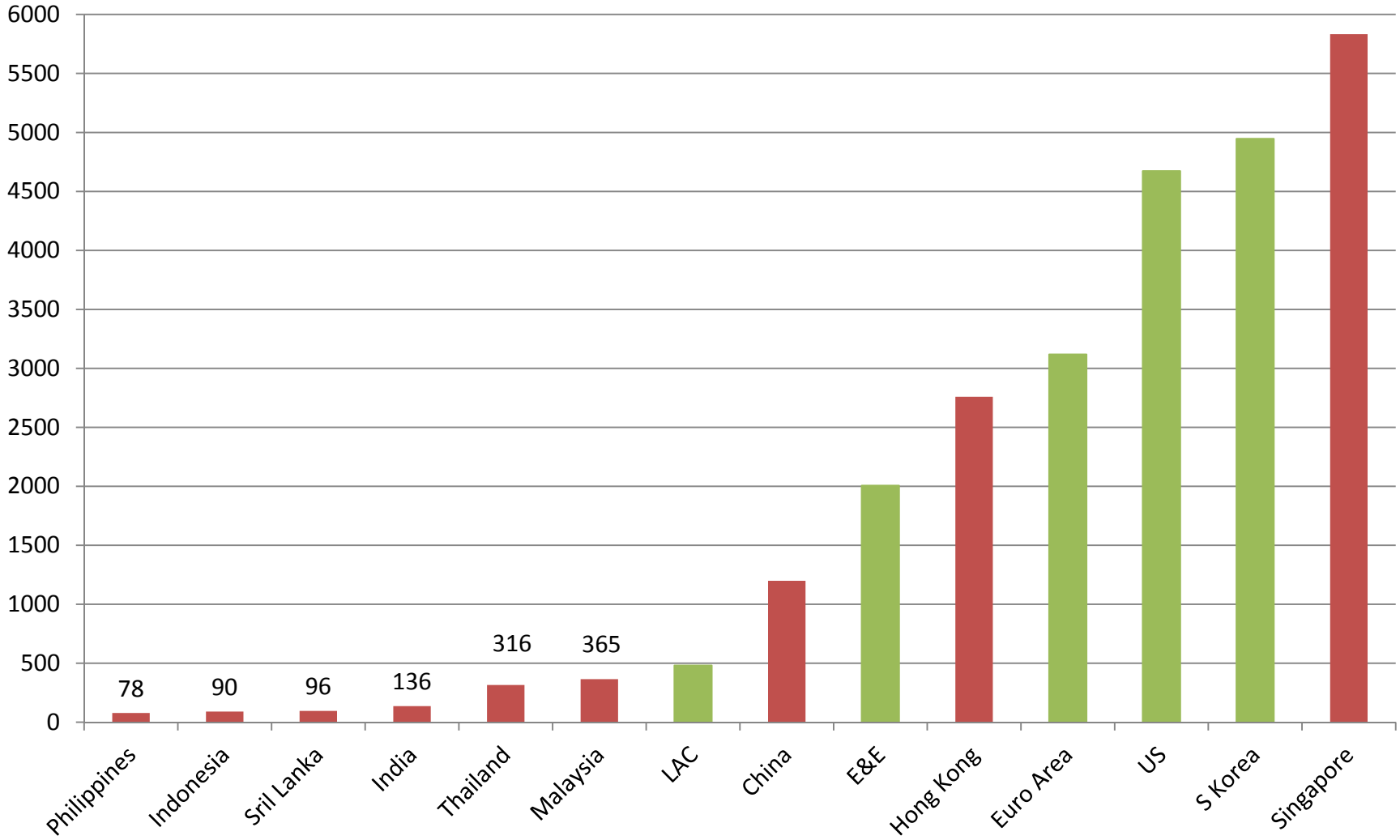
Figure 26 **High Technology Exports in India and Elsewhere in Asia**



World Bank, W*orld Development Indicators* (2011).

Figure 27

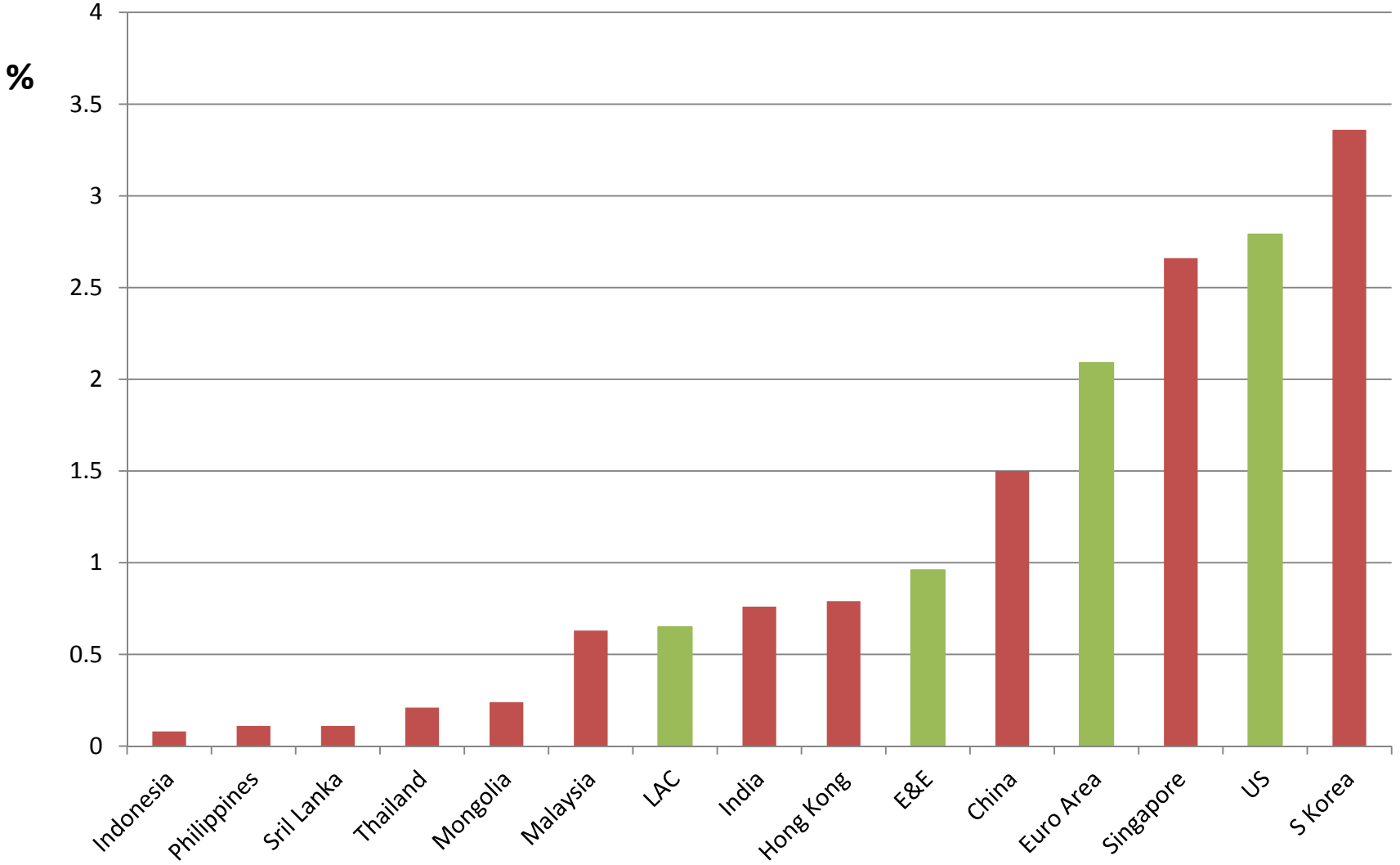
Research and Development Researchers Per Million People



World Bank, *World Development Indicators*, 2012.

Figure 28

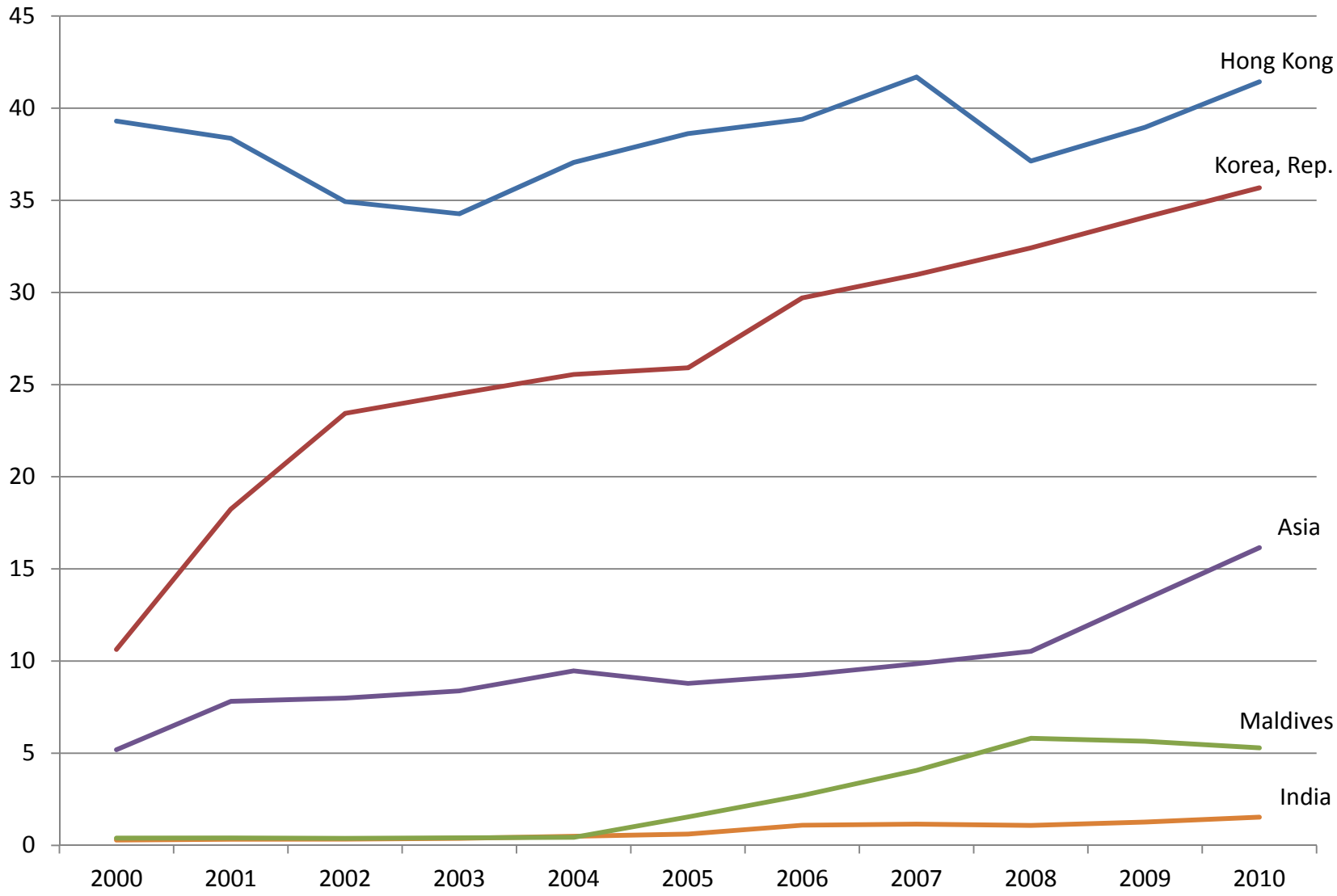
Research and Development Expenditures (% of GDP)



World Bank, *World Development Indicators*, 2012.

Figure 29

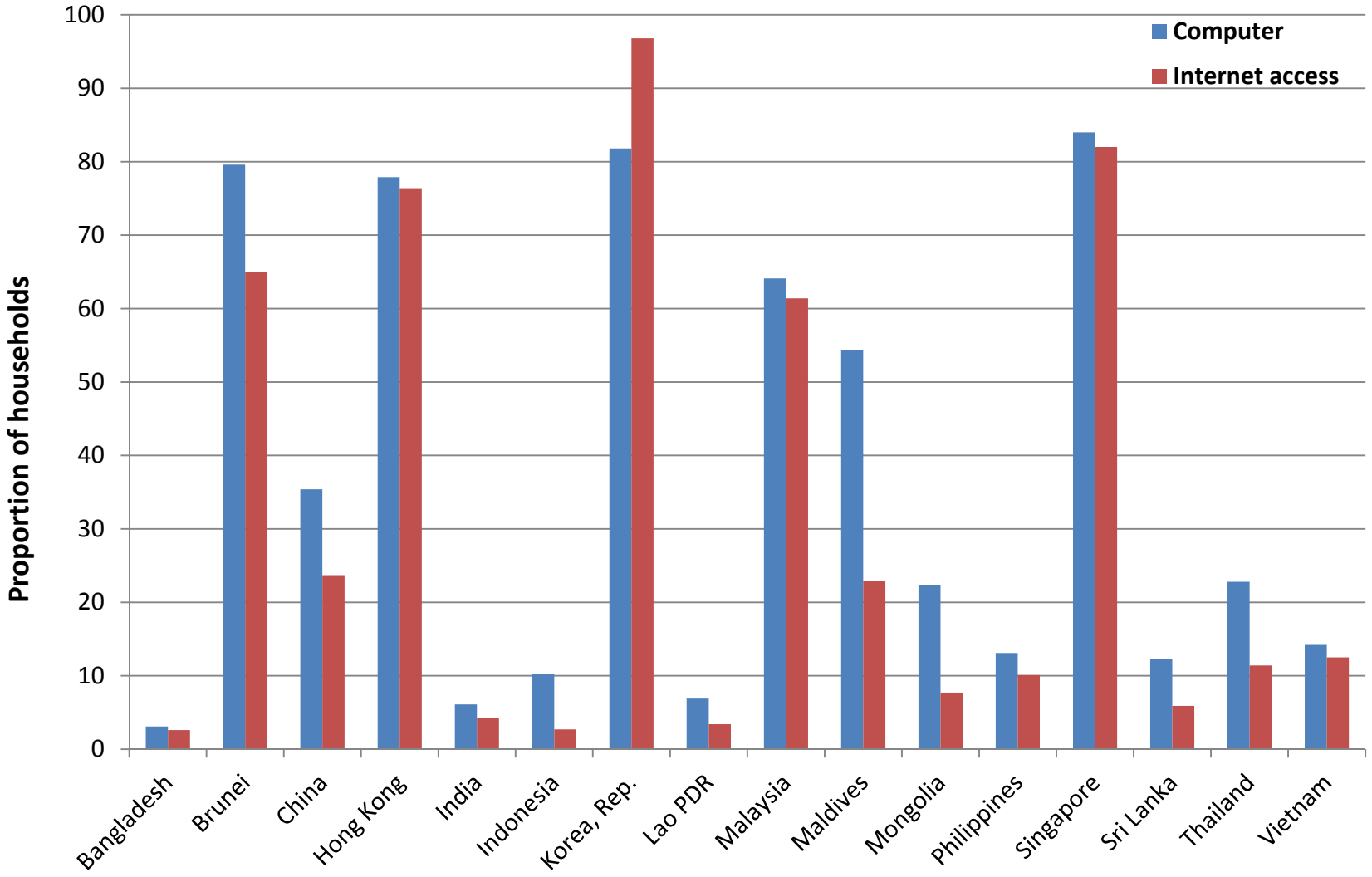
Fixed Internet Subscriptions per 100 Inhabitants



International Telecommunication Union/ICT Indicators Database, June 2012.

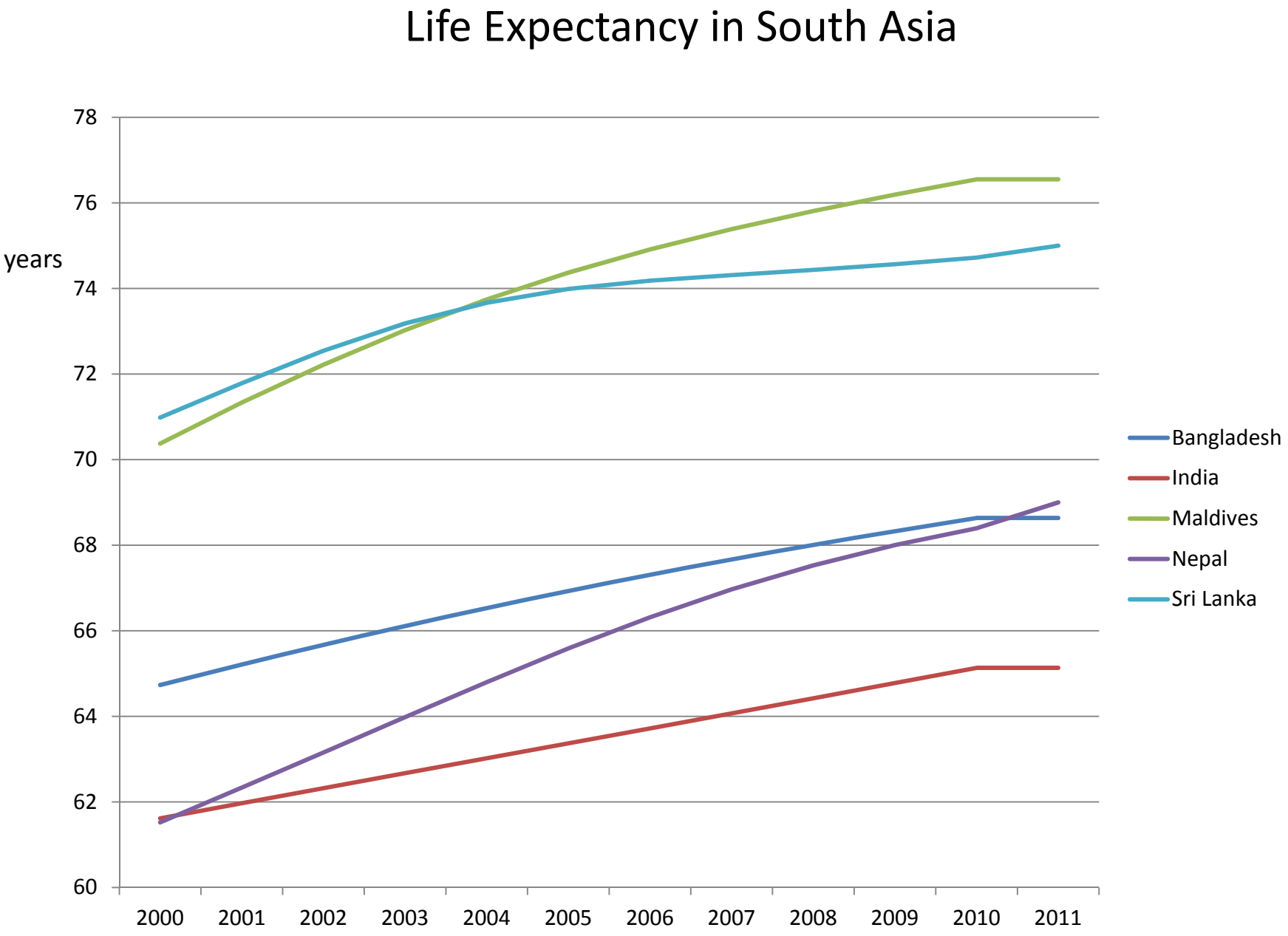
Figure 30

Proportion of Households with Computers and Internet Access



Based on most recent year available (2009-2011). International Telecommunication Union/ICT Indicators Database, June 2012.

Figure 31

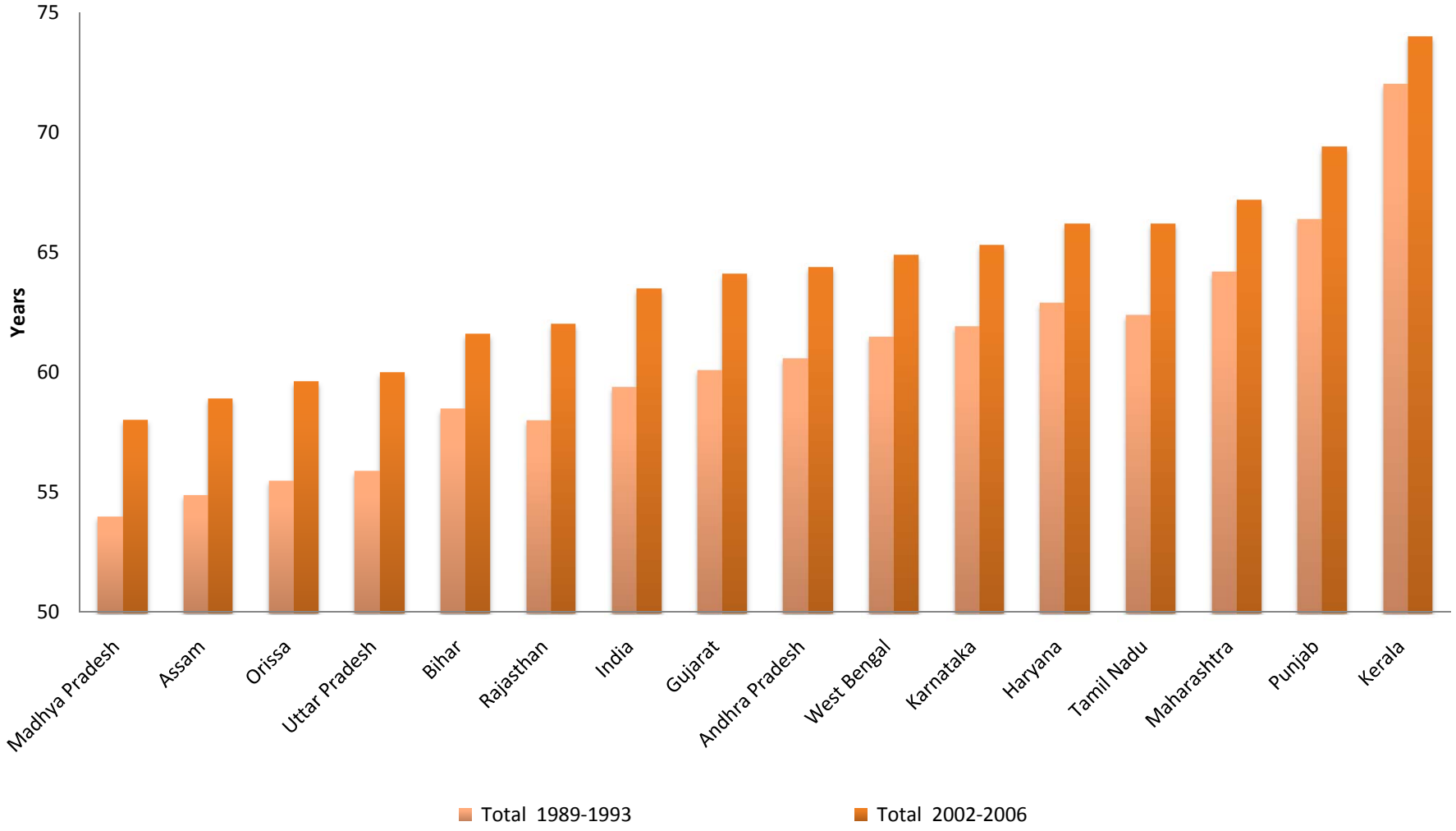


World Bank, *World Development Indicators*, 2012.

Figure 32

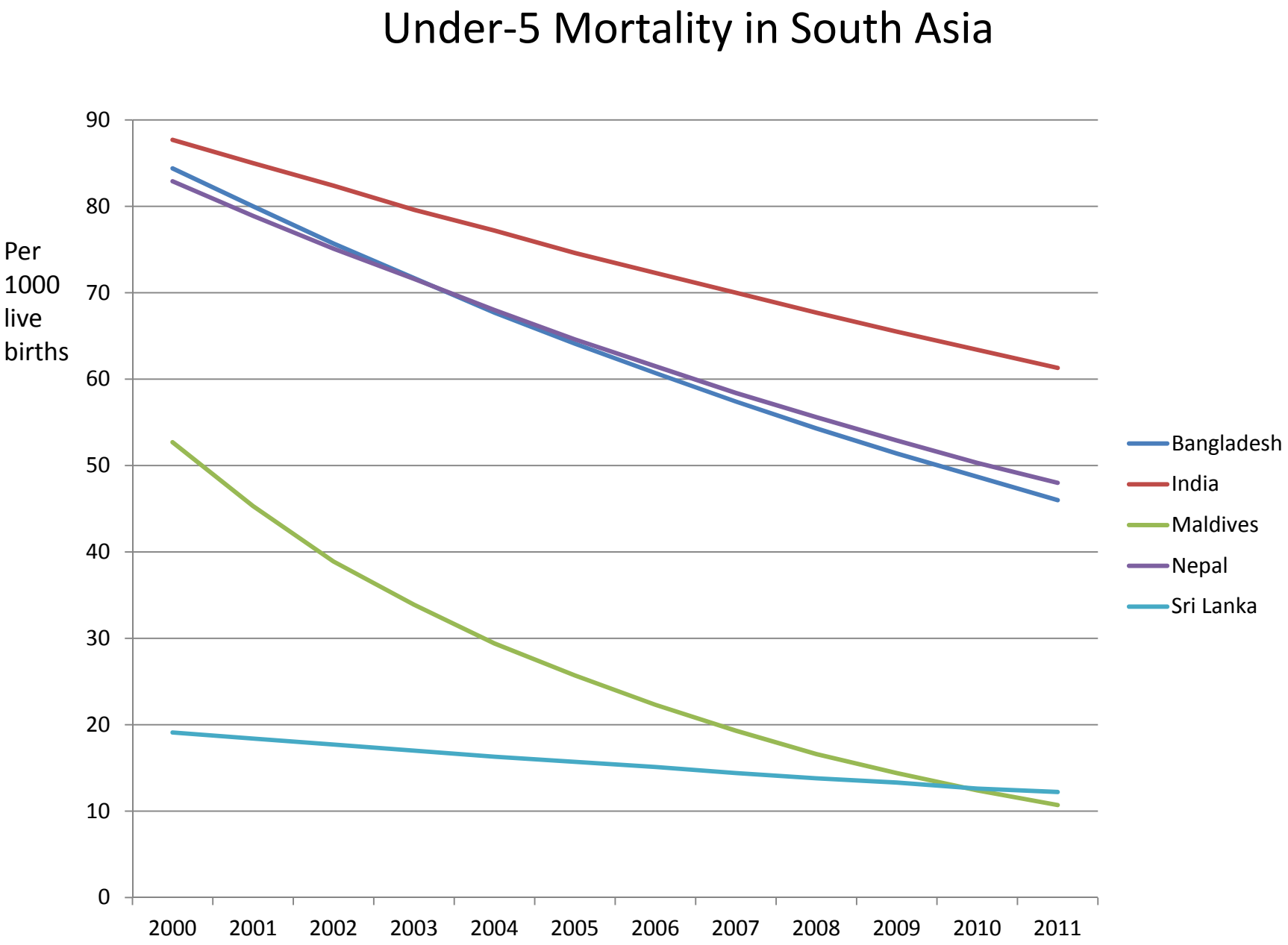
Life Expectancy in India's States

(1989-1993 vs 2002-2006)



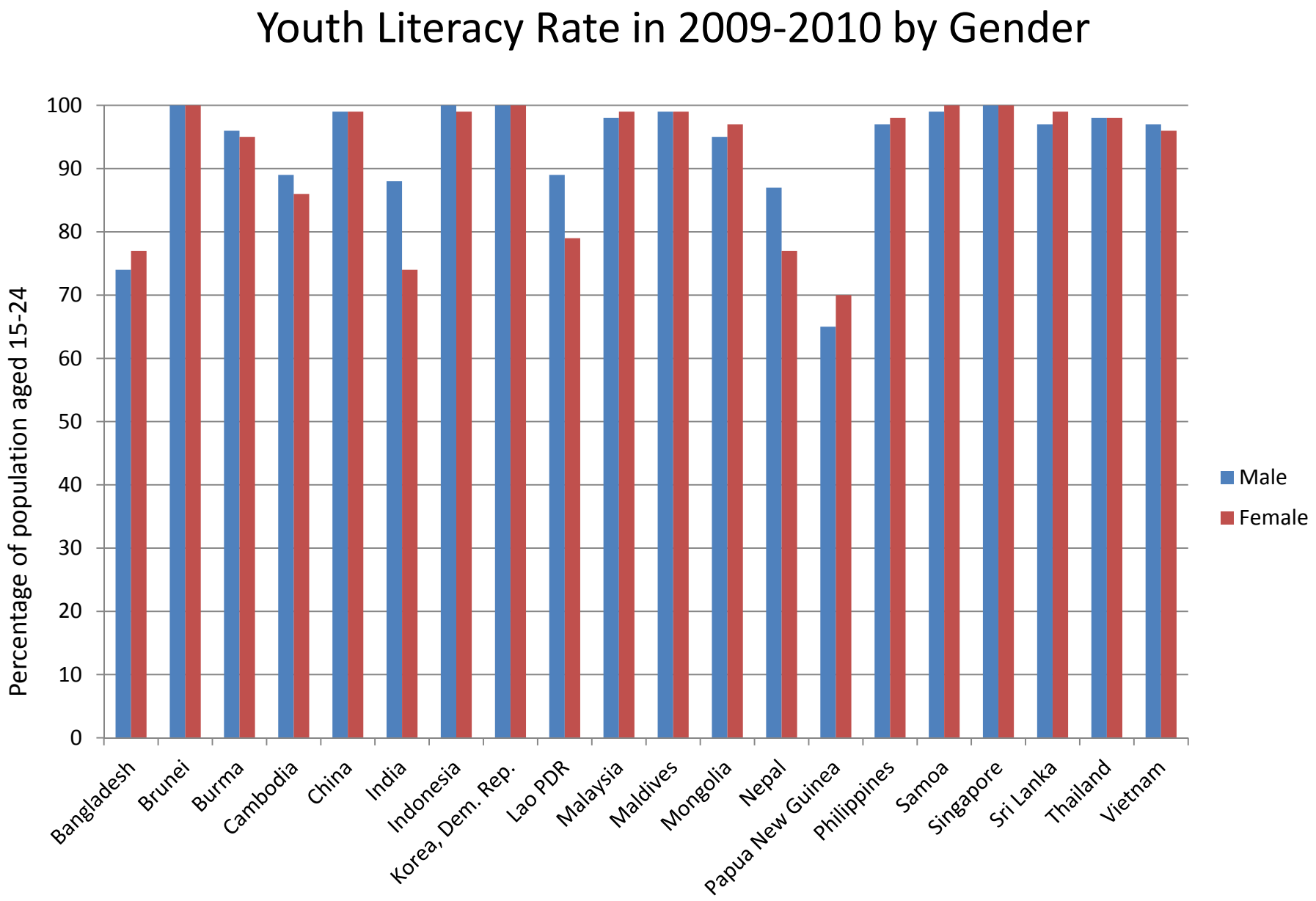
Source : Sample Registration System, Office of the Registrar General, India, Ministry of Home Affairs.

Figure 33



World Bank, *World Development Indicators*, 2012.

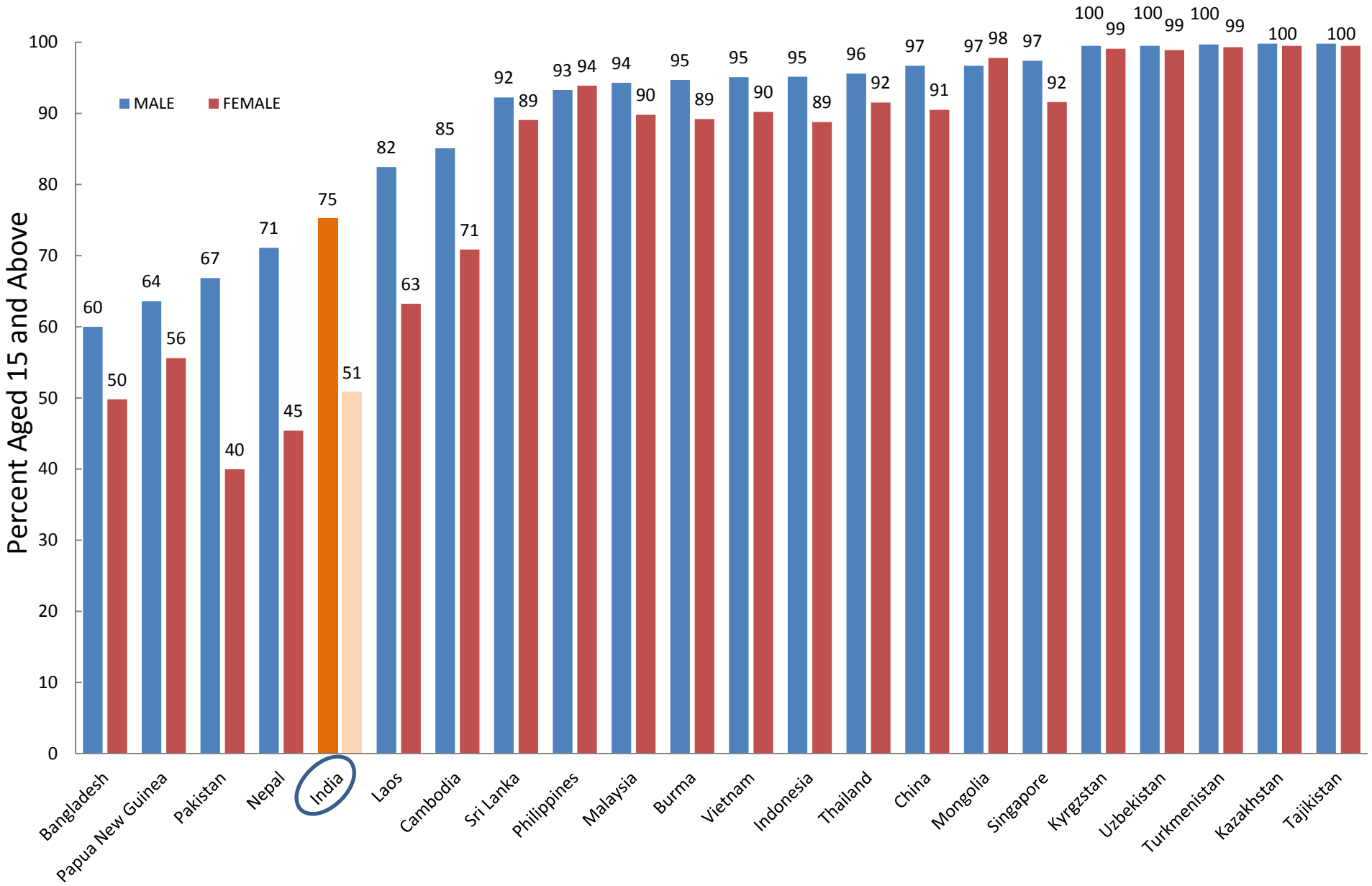
Figure 34



World Bank, *World Development Indicators* (2012), and UNICEF At-a-glance statistics (2012).

Figure 35

Literacy Rate in 2008 by Gender



World Bank, *World Development Indicators* (2011). 2006 data for India, Indonesia and Maldives ; 2005 data for Bhutan and Thailand.

Figure 36

Illiteracy in India by Gender and Rural vs. Urban

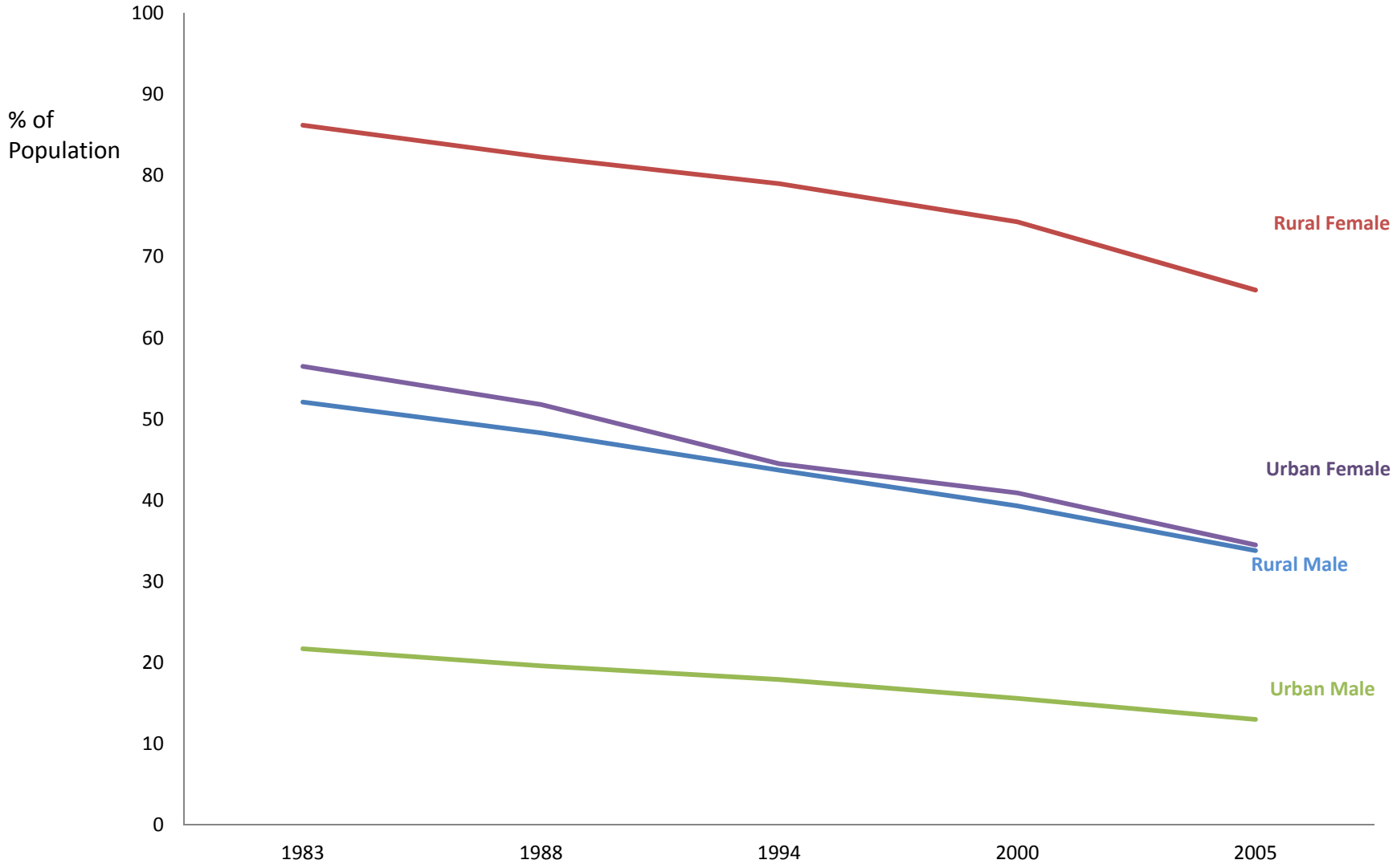
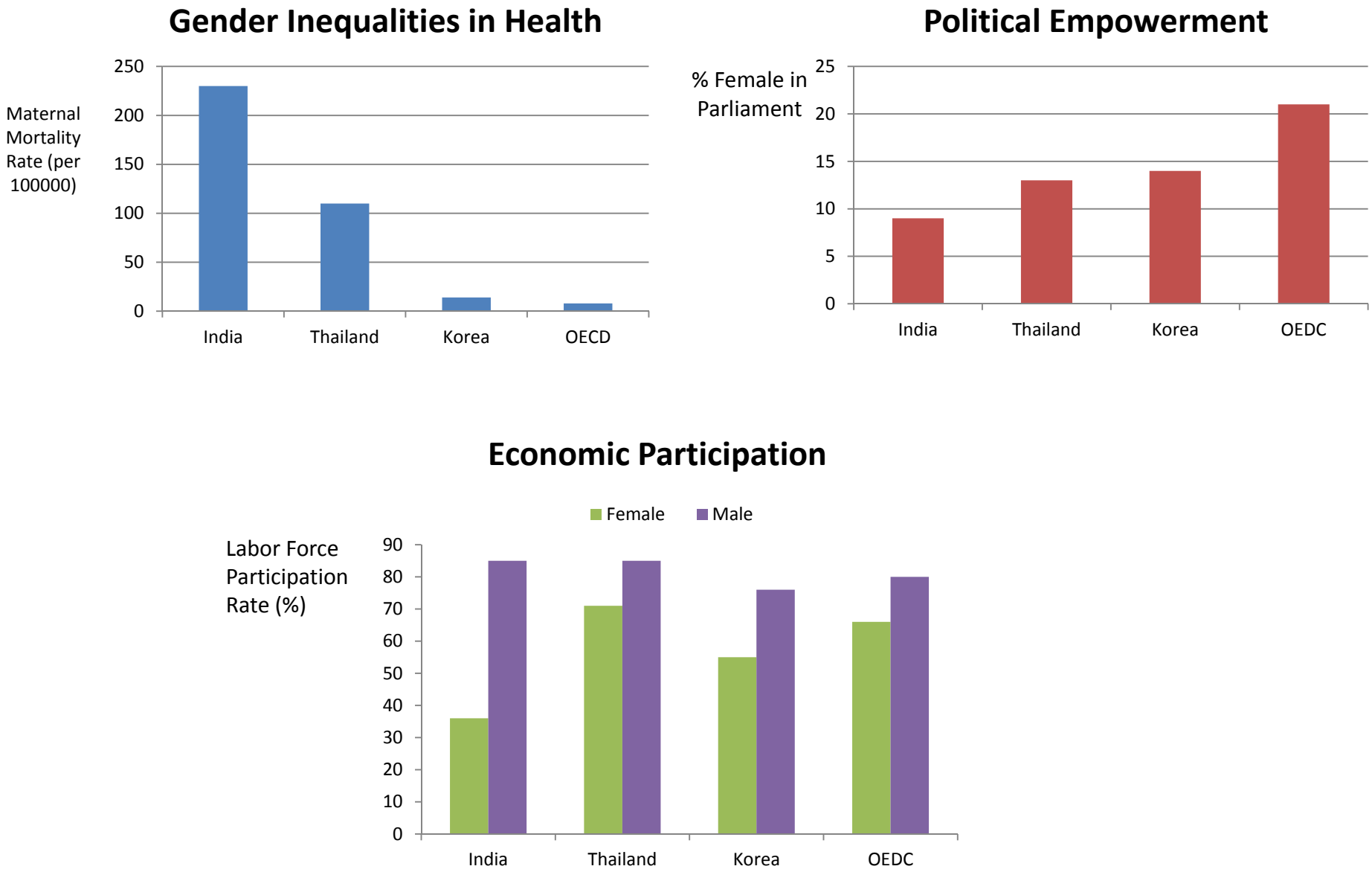


Figure 37

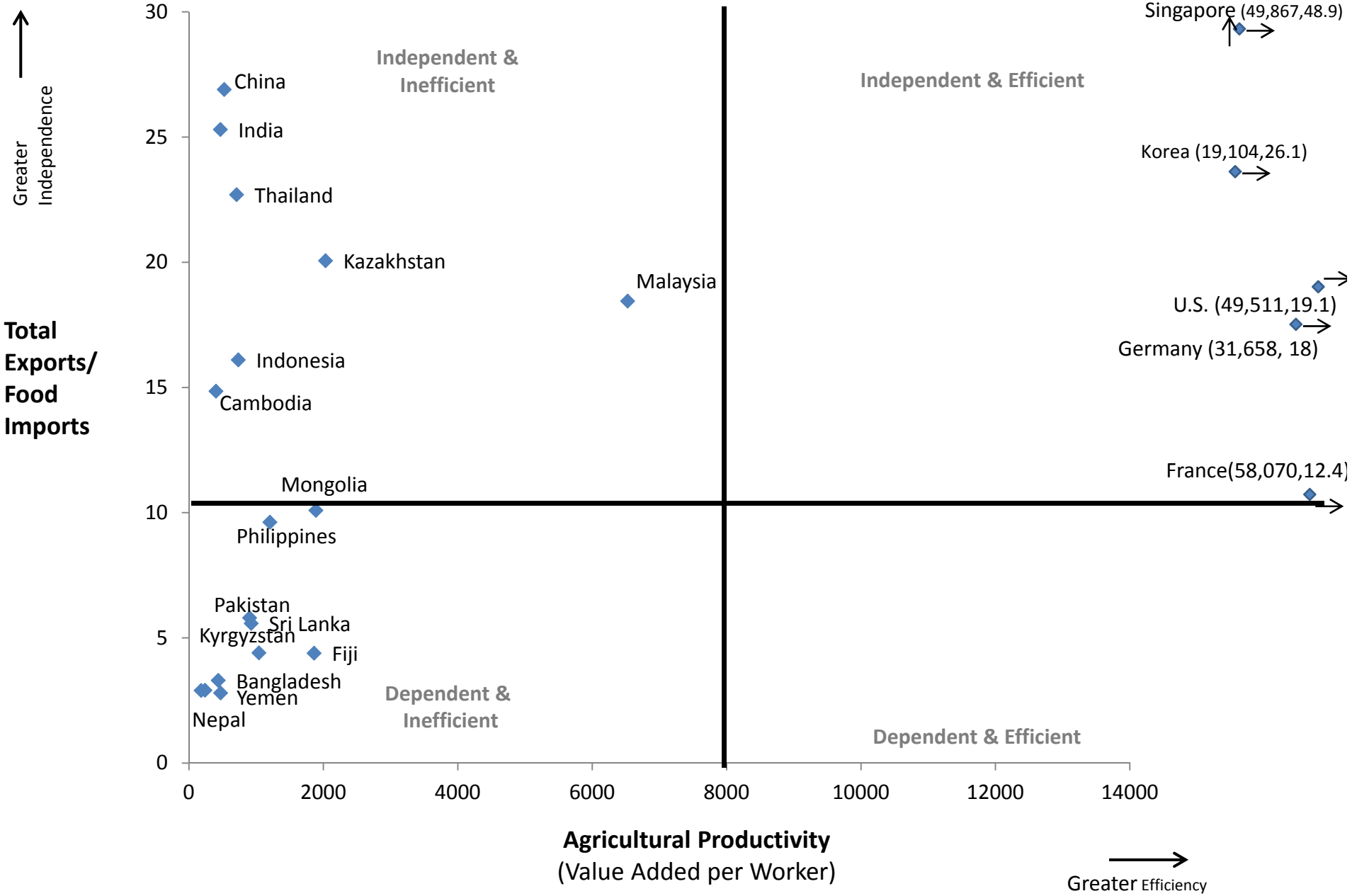
Gender Inequalities in India vs. Other Countries



UNDP, *Human Development Report (2010).*

Figure 38

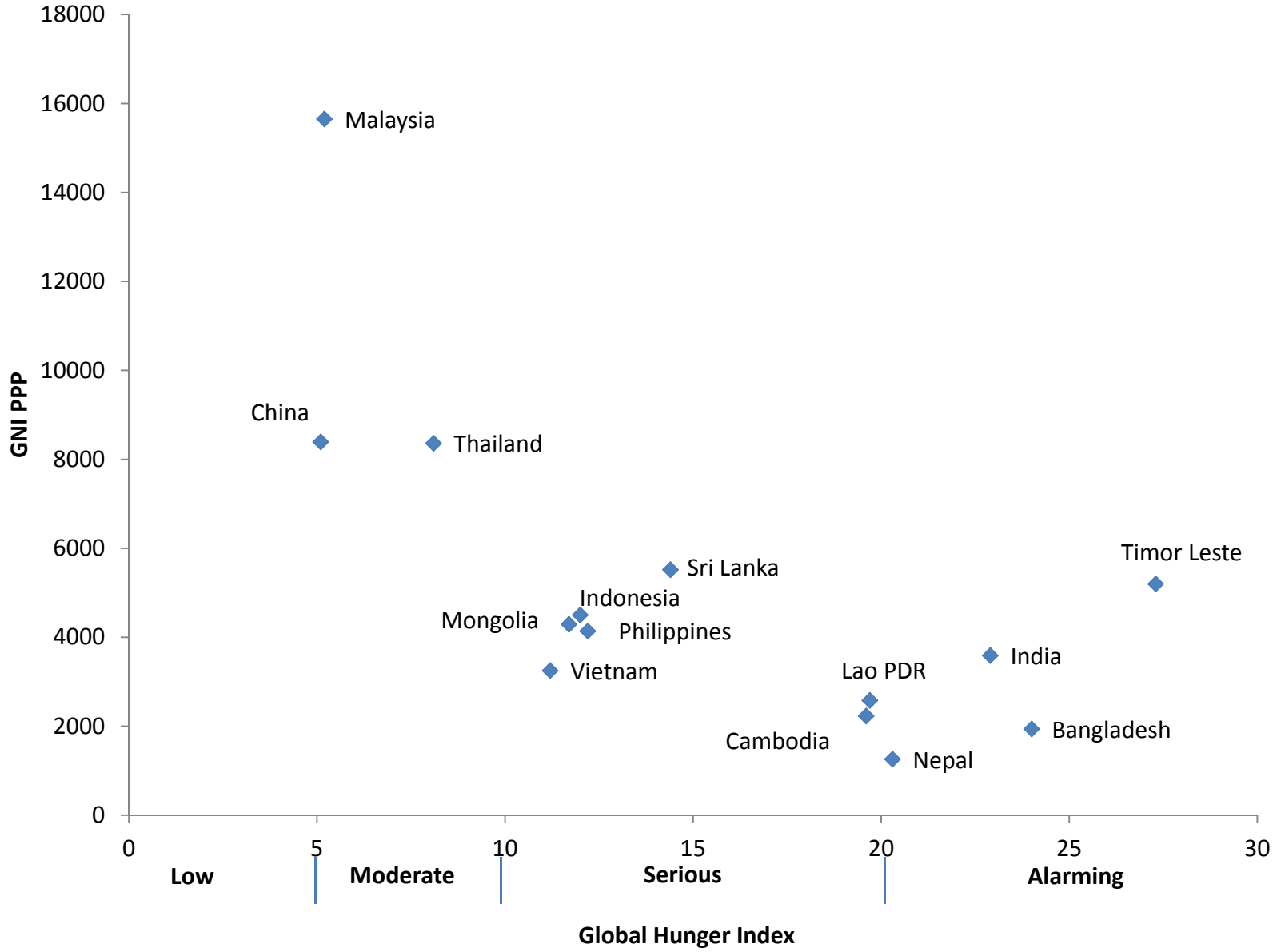
Food Security in Asia and the World



World Bank, *World Development Indicators* (2011).

Figure 39

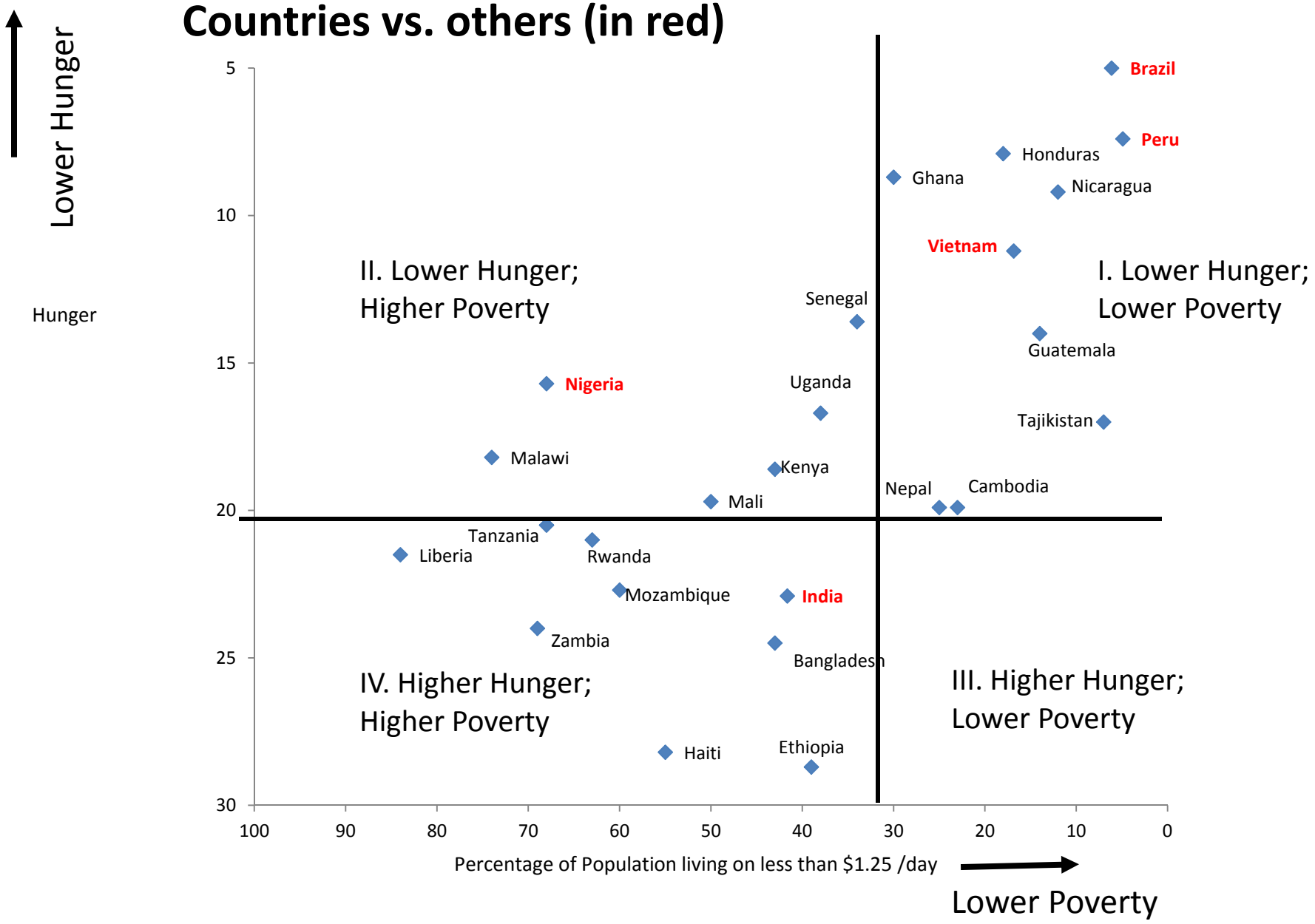
Global Hunger and Per Capita Income in Asia



International Food Policy research (IFPRI), *Global Hunger Index* (2012), and World Bank, *World Development Indicators* (2012)..

Figure 40

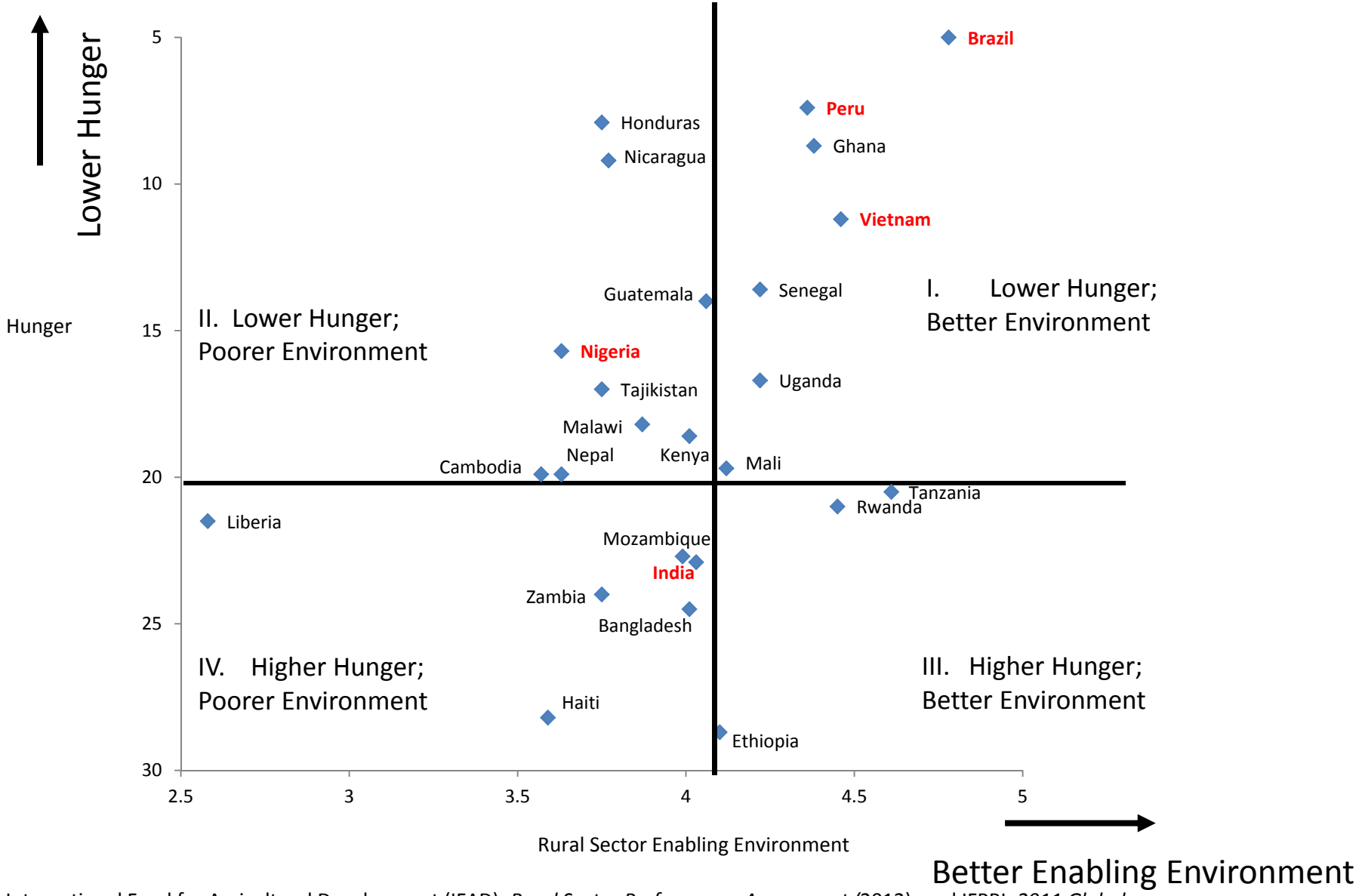
Hunger and Poverty in the Feed The Future Focus Countries vs. others (in red)



International Food Policy Research (IFPRI), *2011 Global Hunger Index* (October 2011), and World Bank, *PovcalNet* (2012).

Figure 41

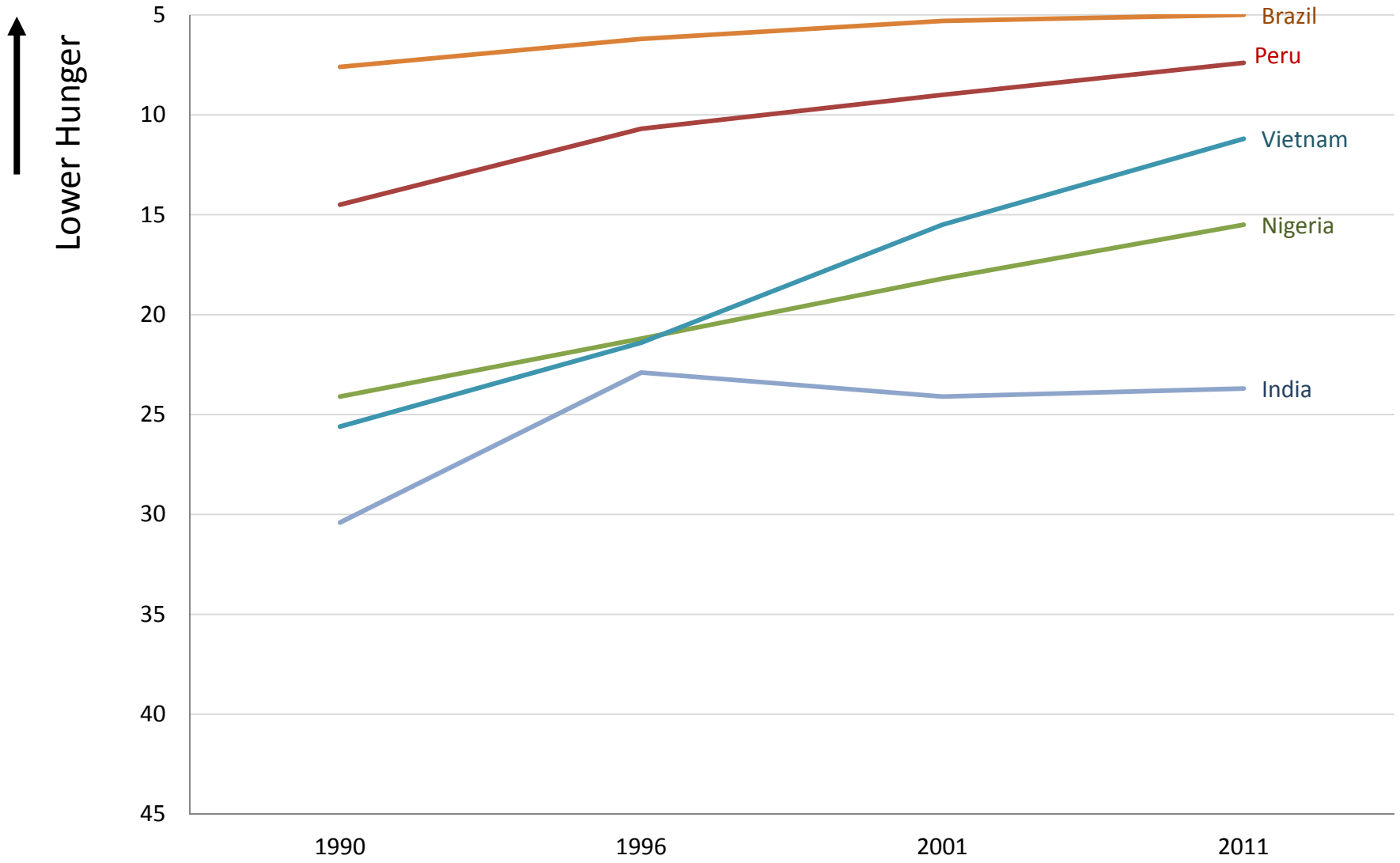
Hunger and the Rural Sector Enabling Environment in the FTF Focus Countries vs. others



International Fund for Agricultural Development (IFAD), *Rural Sector Performance Assessment (*2012), and IFPRI, *2011 Global Hunger Index* (October 2011).

Figure 42

Reduction in Hunger among Select Countries



IFPRI, *2011 Global Hunger Index* (October 2011).