

# **Overview of NCAER-ACIAR collaborative policy projects and findings**

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Competitive, Inclusive and Sustainable Growth***

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# Projects

Three projects ***implemented by NCAER in collaboration with other Indian, Australian and international research partners with support from ACIAR*** during the past decade, focused on policy challenges in Indian agriculture

- ADP/2002/089: *Agricultural Trade Liberalisation and Domestic Market Reforms in Indian Agriculture*
- ADP/2007/062: *Facilitating Efficient Agricultural Markets in India: An Assessment of Competition and Regulatory Reform Requirements*
- ADP/2010/008: *Capturing the Potential for Greenhouse Gas Offsets in Indian Agriculture*

Aim: Contribute to ongoing Indian research on ***policy issues identified by Indian policy makers and researchers as important, recognising that policy research requires patient and sustained efforts over a long period of time to bear fruit.***

***Identify future research directions, based on domestic priorities in agriculture and projected trends in international markets, to carry forward the ongoing collaborative research, widening the network of research collaboration***

# Principal Collaborators

*Projects implemented with guidance from Steering Committees including senior representatives of stakeholders (private sector, government agencies and research analysts)*

Collaborators have included:

India:

- IFDC, NCAP (of ICAR), Competition Commission of India, IGIDR

Australia:

- Monash University, NSW Department of Trade and industry, Victoria University, La Trobe University, Melbourne University

International:

- IFPRI
- Exeter University (UK)

## Research Focus:

***How to achieve government objectives of improved productivity, higher rural employment and incomes, enhanced food security, and lower environmental degradation efficiently and in a sustainable way***

## The context:

Indian economy that is rapidly transforming, modernising and integrating with the global economy – hence agriculture sector and farmers will face both new opportunities and strong competitive threats.

## *Research findings*

- Our findings provided further evidence-based support and reinforced findings and conclusions of Indian researchers:
  - The first project identified the need for significant ‘behind the border’ reforms if the gains from international and domestic market reform were to deliver on the government objectives
  - The second project, interacting also with the Competition Commission of India, identified key regulatory impediments within agricultural supply chains that are impeding price transmission, competition and efficient resource use
  - It also presented a contemporary ‘market failure’ based public policy framework with which ‘behind the border’ agricultural policy reforms could be assessed and prioritised

- The third – current – project, evolving from the previous projects, explores the extent to which broader policy reform in India’s agricultural sector relating to input and output price-subsidy policies may contribute to reduced environmental degradation by inducing changes that lower environmental degradation.
- It was considered to be a ‘strategic opportunity to assist in refocusing farm level assistance away from input subsidies and toward incentive payments’.
- It analyses potential of agriculture to be an efficient provider of low cost carbon offsets and provide opportunities for achieving higher farm incomes by offering industries the opportunity to meet emissions targets at lower cost.

Recent Indian government policy statements and analyses from the office of the Chief Economic Advisor indicate that our research thrust has been consistent with the evolving direction of government thinking on these issues

# Increase investment in agriculture to improve productivity

“The focus of public expenditure for agriculture so far has been on provision of subsidies (public expenditure in agriculture is only one-fourth of expenditure towards food and fertilizer subsidies (*CACP Kharif report 2014-15*) and it is time it shifted towards investments to boost productivity. ....

Agriculture and Food sector needs huge investment in research, education, extension, irrigation, fertilizers, and laboratories to test soil, water and commodities, warehousing, cold storage.

Rationalisation of subsidies and better targeting of beneficiaries would generate part of the resources for public investment.” (p.89)

“Distortions emerging from various policies, including exempting user charges for electricity and water should be removed.” (p.18)

***Economic Survey, March 2015***

# Indian government commits to efficient use of government funds, and subsidy reforms that protect the poor and needy

- Major subsidies are extremely critical from the viewpoint of fiscal consolidation and are the most important factor in determining the success of Government in meeting its fiscal targets. The effort of Government would be to address this issue with a two pronged strategy.
- Government is committed to progressively pursuing subsidy reforms in a manner that will ensure efficient targeting of subsidies to the poor and needy, while also saving scarce financial resources for investment in infrastructure and pursuit of new development programmed announced by the Government.” (*Medium Term Fiscal Policy Statement, March 2015: paras 44 and 45*)

While India does not want to be bound by international agreements, as emphasised by Prime Minister Modi, the government is committed to addressing environmental degradation

- The following presentations will provide highlights of findings, issues and implications. As the project evolved and expanded, new directions of research activities were undertaken.
- Though some of the research was initiated relatively recently, important insights and findings as well as exciting opportunities for future research are emerging.

- *The marginal abatement cost analyses, and IFPRI crop-modelling and simulations, taken together, demonstrate the significant potential for significant agricultural offsets in Indian agriculture. There are potential cropping alternatives that can reduce emissions at significantly lower costs. This provides a mechanism for reducing environmental degradation at lower cost.*
- *The economy-wide (CGE) modelling already shows that the current subsidies on fertilizer and electricity are a wasteful and inefficient way to achieve the key national goals of food security and farmer welfare and alternative methods can achieve food security and higher farmer welfare without increasing the already very high fiscal burden.*
- *Once emissions outcomes of changes in the production patterns in the agricultural sector are incorporated into the CGE model, it would be possible to quantify the extent to which overall environmental outcomes are affected through both reduced use of fertilizer and electricity, and changes in production patterns.*

# Main Findings

- *The marginal abatement cost analyses, and IFPRI crop-modelling and simulations, taken together, demonstrate the significant potential for significant agricultural offsets in Indian agriculture. There are potential cropping alternatives that can reduce emissions at significantly lower costs. This provides a mechanism for reducing environmental degradation at lower cost.*
- *The CGE modelling already shows that the current subsidies on fertilizer and electricity are a wasteful and inefficient way to achieve the key national goals of food security and farmer welfare and that alternative methods can achieve food security and higher farmer welfare without increasing the already very high fiscal burden.*
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# Challenges

- The rapidly changing policy environment in India now offers the opportunity to capitalise on the research capacity and analytical tools developed during a decade of sustained collaboration to contribute to the formulation of concrete answers to the complex policy challenges.
- **The researchers are very conscious that *policy analysis must take into account the political constraints any Indian government faces in implementing major changes in this huge and diverse country with a federal political system and vast numbers of poor and vulnerable households.***
- This means that if research is to provide useful and practical solutions, it must analyse the differential impact of policies on different states and regions, on different groups of households, and the impact on the short run as well as longer run.

- Restating the aims of the research stated at the beginning:

***“Contribute to ongoing Indian research on **policy issues identified by Indian policy makers and researchers as important, recognising that policy research requires patient and sustained efforts over a long period of time to bear fruit.**”***

- In the panel discussion we hope key priorities and issues can be identified to build on the work done and experience gained in this and previous projects to deepen the collaborative links forged by Indian, Australian and international partners and further extend the network by involving new collaborators, so that the opportunity for having significant impact on policy can be utilised.

To everyone who has assisted this research  
**Thank You**