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Centre for Budget and Governance Accountability

A-11, Second Floor, Niti Bagh
Khel Gaon Marg, New Delhi - 110 049
INDIA

Phone: +91-11-4174 1285 / 86 / 87

Fax: +91-11-2653 7603

Email: info@cbgindia.org

Website: www.cbgindia.org

Views expressed in the articles are those of the authors and not necessarily the position of the organisation.



Foreword

“The right time to eat is: for a rich man when he is hungry, for a poor man when he has something to eat.”

The Mexican proverb sums up the predicament of the proposed legislation on food security in the country today. On one hand, the government means to ensure every individual in the country the right to food but it also intends to accomplish this through an extremely tedious procedure that would eliminate a huge proportion of the country's population from being eligible for this basic entitlement. In this issue of Budget Track, we draw your attention to this and many such concerns with regard to the proposed right to food legislation.

The problem of hunger has been a major issue confronting Indian society and India's record is extremely unflattering when compared to some of the poorest countries in the world. To trace the developments in the drafting of the proposed legislation, concerted efforts were initiated when People's Union for Civil Liberties (PUCL) petitioned the Supreme Court in 2001 foregrounding the right to food as an essential component of right to life, which is provided under Article 21 of the Indian Constitution. While the petition initially highlighted two specific aspects of state negligence, i.e. the breakdown of the public distribution system (PDS), and the inadequacy of drought relief works; over time, the scope has widened.

The United Progressive Alliance (UPA) has initiated some efforts towards fulfilling its election promise of ensuring right to food for all; the proposed National Food Security Act seems to have moved up in the priority list of the Union Government over the last few months. UPA's sense of urgency for tackling the problem of hunger and food insecurity in the country has offered a lot of hope. However, its perspective on how this deep rooted problem can be addressed is something that has raised serious concerns.

While UPA's perspective on this issue has been ambiguous, there seems to be a reasonably high chance of the 'right' to food getting diluted because of the contradictions within the ruling political alliance. That the major policy advisory bodies, viz. the National Advisory Council (NAC) and the Prime Minister's Economic Advisory Council, have differed significantly in their recommendations pertaining to the coverage of the proposed National Food Security Act reveals one such contradiction. In fact the NAC's recommendation in this regard too has come under criticism for diluting the demands of the civil society for universal coverage of right to food. It needs to be ensured that the UPA does not miss this crucial opportunity for enacting a legislation on food security that can actually help the country overcome the problem of widespread food deprivation and hunger.

A wide range of issues related to the right to food such as implementation of food-related schemes, urban destitution, the right to work, starvation deaths, and even general issues of transparency and accountability are now part of the larger campaign towards ensuring right to food. This issue of Budget Track has its spotlight on *Right to Food* where these and other related aspects have been addressed in considerable detail. Contributions range from the Supreme Court-appointed Right to Food Commissioners to leading activists of the campaign and illustrious academics. These articles would, it is hoped, inform and guide our understanding and advocacy on Right to Food and come in handy as a ready-reckoner on the issue of financial and quality aspects pertaining to the proposed legislation.

In our Budget and Policy Tracking article, we cover the major debates (or the absence of it) in Parliament during the Winter Session in 2010. This apart, relevant concerns that are flagged and which dominated the public policy discourses are the observations made by the Comptroller and Auditor General on the recent 2G Spectrum scam, an overview of the proposed changes in direct taxes, and the opening up of policy space for civil society stakeholders with Planning Commission inviting suggestions from people for the Approach Paper to the 12th Five Year Plan.

CBGA Team



Towards Zero Hunger

*Devinder Sharma

The path to hell, they say, is paved with good intentions. The way to feed the hungry and impoverished in India – the world's largest population of hungry and malnourished – also seems to be driven by good intentions. My only worry is that the proposed National Food Security Act will end pushing the hungry even more deeply into a virtual hell.

From what appears in the newspapers, however, and from what is emerging from the hectic parleys that the Food Ministry as well as the Planning Commission are engaged in, the path being developed is unlikely to deviate from the present direction to hell for the hungry. If the primary objective of the new law is simply to re-classify below-poverty-line (BPL) families by identifying who is entitled to receive 25 kg (or 35 kg) of grain (wheat and rice) per month at a price of Rs 1/kg for millets, Rs 2/kg for wheat and Rs 3/kg for rice, then I think we have missed the very purpose of bringing in a statutory framework to ensure the right to food.

Let us first be clear that India finds itself in the pit as far as hunger is concerned. In 2008, the International Food Policy Research Institute (IFPRI) had ranked India 66th in Global Hunger Index for 88 countries. In 2010, India had slipped to 67th position among 84 countries. Hunger multiplied at a time when we had the bogus Public Distribution System operative, made more efficient by the addition of the prefix 'targeted'. Hunger also multiplied while the Supreme Court was seized of the issue, and had even constituted an office of Food Commissioner (set up in response to a petition in Supreme Court) monitoring the food distribution supplies. Hunger and malnutrition grew at a time when we had more *anganwadis* set up, and more schools being provided with mid-day meals.

There is something therefore terribly wrong in our approach. The Ministry for Food and Agriculture, Ministry for Human Resource and Development, Ministry for Rural Development, Ministry for Child & Women Development had among them 22 national schemes or programmes, and yet hunger goes on multiplying.

At a time when the government is now planning to bring out a National Food Security Bill, which aims at granting differential legal entitlement of foodgrains to nearly 800 million people through a reformed PDS network, it is time to ask whether the proposed bill will mean anything for the poor and hungry? How can we ensure that hunger is removed by relying on the same bogus PDS system that has failed to deliver in the past 40 years? Isn't the proposed Food Security Act like *old wine in a new bottle*?

Hunger needs more than PDS ration, and that is where we are failing to focus on. Unless we remove the structural causes that exacerbate hunger, and most of these relate to agriculture and management of natural resources, India would not be able to make any significant difference in reducing hunger. Let me therefore look at some of the commonly raised fears/questions, and see how we can make the proposed food security act meaningful and effective.

India already has numerous programmes for fighting hunger, why do we now need a National Food Security Act?

It is true that we have an impressive list of programmes to fight hunger, and the budget allocation for these is increased every year, and yet the poor go hungry. The number of hungry and impoverished has increased with every passing year. India has more than a third of the world's hungry. Save the Children tells us that more than 5000 children die every day in India from malnourishment.

Therefore, to add another revamped scheme to the existing lot is certainly not going to make it any better for the hungry. Nor a mere tinkering of the approach will help. Replacing the ration cards for the PDS allocations with food stamps is one such misplaced initiative. If we persist with such borrowed ideas, hunger will continue to multiply.

I am a strong supporter of the right-based approach to fight hunger. But another piece of legislation that enshrines Right to Food as the basic human right is not going to make any difference to those who live in hunger and penury, and to the millions who are added to this dreaded list year after year. Right to Food cannot be ensured by simply ensuring on paper half the food entitlements (which has even failed to reach the needy) that a human body needs for normal human activity and growth.

Hunger is basically an outcome of our wrong policies and our inability to accept that the delivery system is not delivering. At present some 22 government programmes exist to fight hunger and to provide food and nutritional security. These programs run by various Ministries range from Mid-day Meal Programme to National Food Security Mission, and Antyodaya Anna Yojna to Annapoorna Yojana.

Knowing that the existing programmes and projects have failed to make any appreciable dent, it is high time the opportunity provided by the proposed National Food Security Act be utilised in a realistic manner. It is a great opportunity, and we will let down the nation if we fail to bring about a radical overhaul of the existing approach to fight hunger.

Why can't we strengthen the existing Public Distribution System (PDS) to make it more effective?

*Devinder Sharma, an agricultural scientist by training, quit journalism to pursue research on sustainable agriculture, food security and poverty, among other issues. A Visiting Fellow to several foreign Universities, he has written several books and is also the founder of *Chakriya Vikas Foundation*.



The Justice D P Wadhwa committee appointed by the Supreme Court has very rightly dubbed the running PDS as a bogus programme. It has very clearly brought out that the PDS has collapsed in several states, and is languishing in several others. It is a system that is engulfed in corruption, leakage and inefficiency.

Much of the food from the PDS is diverted to the open market. PDS grains are also diverted to neighbouring countries like Nepal, Burma and Bangladesh. As Justice Wadhwa says 80 per cent of the corruption is before the grain reaches the ration shops. There are several estimates about the extent of leakage and siphoning off of the grains, but the fact remains that PDS has failed to deliver.

Having faith in a rotten PDS system, as the Supreme Court appointed advisory panel has been asserting, is basically playing a prank with the poor and hungry. But somehow I find that the experts and activists who are part of the Supreme Court committee too are content with the system because it gives them enormous political clout. It is primarily for this reason that there is hardly much difference in the approach that the government is planning, and a section of the civil society is suggesting.

But at the same time, there is a need for a distribution system. I am asking for a complete overhaul of the existing PDS. A mere tinkering will not do. Replace it with a more sharp and effective channel. At the same time, there is a need to limit the scope and reach of the distribution channel in the rural areas where a more people-oriented programme can be launched to ensure long-term food security.

Group of Ministers have now directed Planning Commission to redefine the number of actual poor. Will it not help in ensuring food reaches those who need it most?

First and foremost, the time has come to draw a realistic poverty line. The

Tendulkar Committee has suggested that 37 per cent of our population is living in poverty. Earlier, Arjun Sengupta Committee had said that 77 per cent of the population (or 836 million people) is able to spend not more than Rs 20/day. Justice Wadhwa Committee has now recommended that anyone earning less than Rs 100 a day should be considered below the poverty line.

Knowing that India has one of the most stringent poverty line in the world, the fault begins by accepting the faulty projections. During Prime Minister Narasimha Rao's tenure, Planning Commission had even lowered the poverty estimates from 37 per cent to 19 per cent. Poverty estimates were restored back when the new Planning Commission took over. If we had persisted with the same poverty line of 19 per cent (in the beginning of 1990s), India would have banished hunger in official records by now.

But the tragedy is that none of the committees, economic surveys have highlighted the urgent need to change the poverty line to a more meaningful figure if the issue of growing hunger has to be nipped in the bud. Surprisingly, deputy chairman of the Planning Commission, Montek Singh Ahluwalia is now saying that he finds the Tendulkar committee recommendation of 37 per cent as the BPL line "reasonable".

Extent of hunger does not depend upon what policy makers think as 'reasonable'. It has to be realistic. It doesn't help in continuing with faulty estimates. I therefore suggest that India should have two lines demarcating the percentage of absolute hungry and malnourished from those who are not so hungry. The Suresh Tendulkar Committee suggestion of 37 per cent should be taken as the new Hunger line, which needs low-cost food grains as an emergency entitlement. In addition, the Arjun Sengupta committee's cut-off at 77 per cent should be the new Poverty line.

Once we have set these criteria, the approach for tackling absolute hunger and poverty would be different.

If India is to feed every poor, where is the money?

It is often argued that the government cannot foot the bill for feeding each and every Indian. This is far from true. Estimates have shown that the country would require 60 million tonnes of foodgrains (@35 kg per family) if it follows a Universal Public Distribution System. In other words, Rs. 1.10 lakh crore is required to feed the nation for a year.

If the government could provide approximately Rs. 3.5 lakh crore as economic stimulus to the industry, and also provide for Rs. 5 lakh crore as revenue foregone in the 2010-11 fiscal year, which are the sops and tax concessions to the industry and business, how can the government say it has no money to fight hunger?

How can a country, which fares much worse than sub-Saharan Africa when it comes to hunger and malnutrition, try to save money instead of fighting hunger.

The latest National Advisory Council (NAC) recommendations show, after the implementation of the final phase, that the additional cost would be Rs 23,231 crore. At present the government provides Rs 56,700 crore every year by way of food subsidy.

What policy changes are required to ensure food security for all times to come? But all this is not possible, unless some other policy changes are introduced to put the emphasis on long-term sustainable farming, and to stop land acquisitions and privatisation of natural resources. We need policies that ensure food for all for all times to come. This is what constitutes inclusive growth. A hungry population is a great economic loss resulting from the inability of the manpower to undertake economic activities. The debate on the proposed National Food Security Bill provides us an excellent opportunity to recast the economic map of India in such a way that makes hunger history.

I suggest a 5-point programme to ensure Zero Hunger:

- Revive agriculture on the lines of sustainability by restoring soil health and the natural resource base by bringing in low-external input sustainable farming practices.
- Provide farmers with a fixed monthly income, incorporating the minimum support price. For the poorest of the poor household receiving micro-finance, ensure that the interest rate is reduced from the existing 18-48 per cent to a maximum of 4 per cent.
- Set up Community Foodgrain Banks at the village level on the lines of the traditional *gola* system of food security in Bihar and east India.
- Export of foodgrains be allowed only when the country's total population is adequately fed.
- International trade, including Free Trade Agreements, should not be allowed to play havoc with domestic agriculture and food security.

Isn't it sad that people living in the villages which produce food should go to bed hungry?

Exactly, this is where we need a fundamental shift in our approach to

addressing hunger. This will also reduce our dependence upon PDS, and thereby reduce the food subsidy bill. After all, India has more than 6 lakh villages. Why can't we ensure that at least 4 lakh of these villages become food self-sustaining?

The proposed Food Security Act should consider setting up of community controlled small foodgrain banks at the village and *taluka* level. Any long-term food security plan cannot remain sustainable unless the poor and hungry become partners in the fight against hunger. There are ample examples of successful models of traditional grain banks (for instance, the famed *gola* system in Bihar), which need to be replicated through a nationwide programme involving self-help groups and NGOs.

Drawing up programme and projects that have long-term sustainability and become viable without government support in a couple of years, involving charitable institutions, religious bodies, SHGs and the non-profit organizations to ensure speedy implementation.

I am aware of at least a hundred villages in this country which haven't witnessed hunger for over four decades now. They follow the traditional 'sharing and caring'

system. I think this programme needs to be extended to all the villages of the country. Let the people in the villages take control over their food security.

Already, 20,148 foodgrain banks in 20 states have been set up. There is an urgent need to extend the reach to at least 4 lakh villages which produce foodgrains thereby ensuring that the villages become self-reliant in food security.

Like in Brazil, the time has come when India needs to formulate a Zero Hunger programme. This should aim at a differential approach. I see no reason why people should go hungry in the villages, which produce enough food for the country year after year. These villages have to be made hunger-free by adopting a community-based localised food grain bank scheme.

In the urban centres and the food deficit areas, a universal public distribution system is required. The existing PDS system also requires overhauling. Also, there is a dire need to involve social and religious organisations in food distribution. They have done a remarkable job in cities like Bangalore, and there are lessons to be imbibed.





Aiming for a Substantive Food Security Act

Dipa Sinha*

There was much excitement when food security became one of the issues in the manifestos of most major political parties in the run-up to the 2009 General Election. With burgeoning food stocks, double-digit food inflation, stagnant malnutrition rates, declining calorie consumption and high levels of anaemia, radical interventions are required to help the situation of hunger and poverty in the country. The promise of a Food Security Bill by the ruling alliance provided an opportunity to introduce and expand essential programmes towards ensuring food security for all. However, in the months that followed what we have seen is only short-sighted proposals that refuse to address the core issues. Until now there have been proposals from the Ministry and the Empowered Group of Ministers (EGoM) as well as the National Advisory Council (NAC).

A Universal PDS

The draft of the EGoM was very minimalistic with its focus only on the Targeted Public Distribution System (TPDS). The debates in the media have also largely been restricted to discussions around the PDS. Even with regard to the PDS, it is seen that the government is restricted to thinking within the framework of dividing the population into APL and BPL. The initial draft of the government guaranteed no entitlements for those above the poverty line (APL). This was completely unacceptable as data has shown that there are large-scale exclusion errors in the targeted system with the deserving poor being left out of the PDS net. While this is a problem of identification, it is also a result of artificial “caps” set on the basis of the Planning Commission’s poverty estimates. It has been widely argued that the current poverty line is more of a destitution line and does not appropriately reflect the extent of poverty in the country.

Alternate estimates ranging from 37 percent (Tendulkar committee) to 77 percent (NCEUS report’s estimate of number of persons living below an MPCE of Rs.20 per day) have been provided. The Tendulkar committee recommendations have also been accepted and foodgrain allocations will now be based on these estimates.

However, this does not yet resolve all the problems with targeting. Identification of the poor still remains a problem. So does the vulnerability of the huge proportion of people who are living at the margins, just above the poverty line. In the Indian context of very low incomes, widespread poverty and food insecurity, universalisation is required for the PDS can make a dent on people’s lives. Even the NAC in its initial recommendations stated that “time-bound universalisation of foodgrain entitlements across the country may be desirable...” However, even the NAC in its final recommendations moves away from this vision, while proposing to divide the population into three groups – “priority” (based on Tendulkar committee’s estimates); “general” and the “excluded” (top 10 percent in rural areas and top 50 percent in urban areas).

The NAC recommendations are indeed a step ahead of what exists today and what has been previously proposed for the Bill by the Food Ministry and the EGoM. Firstly, the coverage of those in the priority group is larger than the current “BPL” allocations of the Government of India. Based on Tendulkar estimates (plus accounting for 10 percent transient poor), the NAC proposes to include 46 percent of rural population and 28 percent of urban population to get an entitlement of 35 kg (7 kg per head) per month at Rs.3 per kg for rice, Rs.2 per kg for wheat and Rs.1 per kg for millets. This would result

in about 9.8 crore households being included under this category. Further, the prices which are being proposed are lower than the current prices for the below poverty line category. Finally, those in the general category are guaranteed 20 kg per month as an entitlement at prices which are not more than 50 percent of the minimum support price (which is close to current APL prices). At present, there is no guarantee for APL families, with what they get being different in different states. The recent government policy of curtailing APL allocations based on previous off-takes (in spite of rising prices) has resulted in APL households getting almost nothing in many states.

However, the NAC recommendations are still disappointing because while they do move one step forward, they have missed the opportunity of providing a radical vision for the food security programmes in the country. The central problem of identification of poor households remains. In fact, it is not clear what the formulation in the Bill will be – what will happen when the Planning Commission revises poverty figures periodically, based on new National Sample Survey (NSS) data – will the priority group also shrink accordingly? An Act is surely not required to just expand coverage to a larger population without questioning the very basis of such targeting. Having a targeted PDS in legislation will make it even more difficult to fight the division of the population into categories of those below the poverty line and those above (even though the groups have been called general and priority, the idea essentially remains the same).

From newspaper reports it seems as if the NAC’s primary concerns were of unavailability of foodgrains and resources required for a universal PDS. A rough estimate of the quantum of foodgrains

*Dipa Sinha is a research scholar at Jawaharlal Nehru University, New Delhi, having previously worked with the Supreme Court commissioners’ office in the RTF case. A well known child rights activist, she has been associated with the M Venkatarangaiya Foundation (MVF) and written articles on children’s right to food in several newspapers.

required (assuming 80 percent off-take) shows that about 80 million tonnes are needed for universalisation of the PDS. The current procurement by FCI is about 60 million tonnes, and procurement has been increasing over the years. What is currently procured is only about 30 percent of production. Further, there is no reason to assume that agriculture production will remain stagnant. This is precisely the reason why the Right to Food campaign has been arguing that while discussing the food security bill, issues related to production, procurement and distribution must be simultaneously dealt with. The food security bill can in fact be seen as an opportunity for the much-needed reforms and investment in agriculture to take off¹.

As far as budgetary requirements are concerned, the various estimates show that it would cost about Rs.1.2 lakh crore for a universal PDS. Again, while this is indeed a large amount, it is something the country can afford to invest considering that each year about Rs.5 lakh crore are given away as tax exemptions, mainly benefiting corporations. Further, with other reforms in the PDS such as decentralised procurement and storage, the economic cost of foodgrains can also be expected to fall, resulting in lower subsidies. It would be better to work around food and resource constraints by not compromising on the principle of universalisation but by phasing the process over a few years.

Further, while universalisation of PDS would be the core, what is required is a comprehensive food security bill which also guarantees entitlements for vulnerable groups such as children, women, the aged and disabled.

Child Malnutrition Cannot be Neglected

It is well accepted that interventions to address malnutrition must lay special

focus on children, especially children under two years of age. Much of the malnutrition that sets in during early childhood is irreversible. It is shameful that India has one of the highest rates of child undernutrition in the world. In fact it is high levels of child malnutrition that puts India at the bottom of the list in measures like the Global Hunger Index². Although we have one of the largest child development programmes in the world, in the form of the Integrated Child Development Services (ICDS), this has been able to make very little impact on malnutrition rates. ICDS from its inception has been an under-funded and ignored programme although its objectives were highly commendable. With ICDS as the base, higher investments and reforms in design can contribute significantly to improving nutrition status of children in the country.

Reducing child malnutrition requires a range of services including maternity entitlements, crèches, breastfeeding support, supplementary nutrition and counselling towards appropriate infant and young child feeding practices. This would at the very least require universalisation with quality of the ICDS, introduction of universal and unconditional maternity entitlements and diverse and flexible models of child care based on the need of working mothers³. Given the widespread nature of malnutrition in the country, it is imperative that all these programmes are designed for universal coverage. It has been estimated that all of this put together would cost about Rs.50,000 crore per year or about 0.8 percent of GDP⁴.

With such unacceptably high levels of child malnutrition there need be no further explanations to justify such expenditure. However, for those who are still sceptical, there are also compelling economic reasons to invest whatever is

required for eradicating malnutrition. Reducing child malnutrition not only contributes to higher productivity and therefore economic growth in the future through healthier populations but also leads to savings of health care costs that arise from malnutrition and future health benefits. While it is difficult to put a number to the benefits of appropriate child growth and development, some estimates indicate that the losses to GDP from various components of undernutrition can be as high as 3 percent of national income⁵.

While the initial drafts of the government did not mention child malnutrition at all, the NAC's note does specify that maternal and child nutrition entitlements will be included in the Food Security Bill. However, it is not clear whether these will be in their current form or whether the comprehensive interventions required will be brought in. It would be quite a pity if this opportunity is wasted by introducing piece-meal and stingy programmes.

Towards Food Security for All

It is time that sustained efforts were made to ensure food security for all. The food security bill provides a historic opportunity to initiate this process. This must not be lost by a narrow vision; instead we must put in place a comprehensive law that ensures that every resident of this country is well nourished. For this, the least that is required is a universal PDS, adequate child and maternal entitlements and special programmes for the vulnerable such as the homeless, aged, single women, disabled etc. along with efforts towards revitalising agriculture and protecting small and marginal farmers. While it seems like we are moving further and further away from such a vision, civil society and the media must continue to put pressure on the government to ensure that not all is lost.

¹ See draft bill of right to food campaign at www.righttofoodindia.org.

² The GHI report is available at <http://www.ifpri.org/publication/2010-global-hunger-index> and India's in the GHI 2010 is in the 'alarming' category ranking 67 out of 84 countries.

³ For further details see the FOCUS report (2006) available at www.righttofoodindia.org and Working Group for Children Under Six (2007), Strategies for Children under Six in the 11th plan, Economic and Political Weekly.

⁴ 35,000 for ICDS including second worker, better SNP, infrastructure, anganwadi-cum-crèches etc. and 12,000 for maternity entitlements.

⁵ For e.g. see Lawrence Haddad, "Nutrition and Poverty" In Nutrition: A Foundation for Development, Geneva: ACC/SCN, 2002 and references in Veena S Rao, "Economics of Malnutrition: Combating malnutrition in the Inter-generational Context", available at www.britannia.co.in/bnf/media/veena-rao.ppt accessed in Nov 2010.



Destitution, Social Barriers and Food Rights

Harsh Mander*

In the dark shadows of this land, the silent tragedy plays out of millions of women and men, boys and girls who sleep hungry. The experience of chronic hunger in distant villages of India, as much as on its city streets, is one of intense avoidable suffering; of self-denial; of learning to live with far less than the body needs; of minds and bodies stymied in their growth; of the agony of helplessly watching one's loved one's - most heartbreakingly children - in hopeless torment; of unpaid, arduous devalued work; of shame, humiliation and bondage; of the defeat and the triumph of the human spirit.

Such high levels of hunger and malnutrition are a paradox because they stubbornly survive surging economic growth, and agricultural production, which outpaces the growth of population (although it has worryingly stagnated in recent years). The riddle deepens because the State in India runs some of the largest and most ambitious food schemes in the world. The persistence of widespread hunger is the cumulative outcome of public policies that produce and reproduce impoverishment; of failures to invest in agriculture especially in poorer regions of India and for rain-fed and small farmers; of unacknowledged and unaddressed destitution; of embedded gender, caste, tribe, disability and stigma which construct tall social barriers to accessing food; but in the last analysis, it is the result of a profound collapse of governance.

The colonial Famine Codes continue to cast a shadow over official responses to hunger, even though both the nature of famine and the political economy have been completely transformed in free India. They continue to regard starvation as a temporary aberration caused by rainfall

failures rather than an element of daily lives. The effort remains to craft minimalist responses, and to spend as little money as is absolutely necessary to keep people threatened with food shortages alive. And the duties of officials are not legally binding, in ways that they cannot be punished for letting citizens live with and die of hunger.

Allegations of starvation deaths are typically met by official denials and the blaming of the victims. Public servants believe mistakenly that death from consuming no food whatsoever is the only 'proof' of starvation. But starvation is a condition of not just the dead but the living, and people who have lived with prolonged food denials mostly succumb not directly to starvation, but to health conditions which they would have easily survived had they been adequately nourished. There are seamless lines between dying of and living with starvation, prolonged food denials, malnutrition, and the subjective experience of hunger. Starvation is closely related to the equally neglected phenomenon of destitution, in which people lack even the minimal economic means for survival. The State must acknowledge these conditions, identify people threatened by them, and address and prevent the enormous and avoidable toll of suffering, sickness and death that they entail.

The State in India implements massive food, livelihood and social security programmes – some of the largest in the world – which theoretically support vulnerable people from even before their birth to their survivors after death. Expectant mothers are fed in ICDS centres, along with infants, children up to the age of six and adolescent girls. The

child in school gets school meals. As adults, women receive maternity support, bread earners are guaranteed 100 days of wage employment in public works; and if identified to be poor, they can buy subsidised cereals from a massive network of half a million ration shops. The aged - and in many states widows and disabled people - are given pensions. And if an earning adult dies prematurely, the survivor is entitled to insurance.

These programmes are plagued by corruption, leakages, errors in selection, delays, poor allocations and little accountability. They also tend to discriminate against and exclude those who most need them, by social barriers of gender, age, caste, ethnicity, faith and disability; and State hostility to urban poor migrants, street and slum residents, and unorganised workers.

Public policy, and much of civic action and mainstream academia, do not adequately acknowledge or address the reality of the uncertain existence of those who grapple with hunger, food denials and starvation as a part of their everyday lives. If their suffering is admitted, they tend to be blamed for it, as the 'undeserving' poor.

This links closely with the neglected, invisible malaise of destitution. Destitute people are those who almost completely lack resources (financial and material), employment, assets, access to credit, and social and family support and networks required to secure the means for dignified survival. These are people who are powerless and disenfranchised, socially isolated and devalued, sometimes stigmatised and even illegalised, and often with special needs born out of disability, illness, social standing and age.

*Harsh Mander is a social activist and writer who is currently the Director of Centre for Equity Studies and a member of the UPA government's National Advisory Council. He is also one of the Supreme Court-appointed Special Commissioners on Right to Food. A bureaucrat who quit the Indian Administrative Services after the 2002 Gujarat riots, he heads the Aman Biradari campaign for promotion of secularism and communal harmony.

For large numbers of these forgotten people who live routinely and precariously on the edge of survival, each day comes with the danger of one push that will hurtle them down the precipice. This may come from an external emergency like a natural disaster, epidemic or riot, or even from local crises: a sickness in the family, a sudden untimely death of a bread earner, or a brush with the law. These people who live in constant peril of slipping into starvation – or at least chronic unaddressed hunger – may be described as destitute.

Karl Marx wrote of the exclusion of destitute populations from what he described as political economy: “Political economy does not recognise the unoccupied worker...The beggar, the unemployed, the starving [and] the destitute are figures which exist not for it, but only for the eyes of doctors, judges, gravediggers and beadles. Nebulous...figures which do not belong within the province of political economy”¹Marx was right about their exclusion, but not about their being “unoccupied workers”. On the contrary, we have found that the destitute are forced to labour in arduous, low paid, undignified work even to stay barely alive.

In a perceptive paper, Barbara Harriss White tries to unravel the features and sources of destitution. Firstly, it involves the absence of any control over assets and the loss of access to income from one’s own labour. This loss of control may result from mishaps, addictions, disasters, health emergencies, and collapse or withdrawal of family support. “A plausible sequence involves the progressive liquidation of small stock, livestock, consumer goods and eventually the failure to protect from sale the key productive assets...The right to the asset of one’s own labour (may be) forfeited. This right may be sold to others. The concept of dependence may be transformed and the labour of non-labouring dependents sold or bonded. The most extreme tactics do not involve the sale of labour so much as the marketing of the body itself (as in the sale of blood or of organs or the renting of the body as in sex work)”².

The destitution and helplessness of very-marginalised groups do not arise frequently from low incomes or even from their own intrinsic and irrevocable biological infirmities (such as of age and disability), but by the fact that in many cases these infirmities are externally imposed, by social arrangements themselves. There are some echoes of this idea in some of the recent literature on social exclusion. Whereas concepts such as poverty, vulnerability, deprivation and inequality do not impute causality, a social exclusion framework implies not only that a person or persons are being excluded but that someone or something “is doing the excluding”³. The word exclusion suggests that there is a core and a periphery, and that ‘excluded’ people are those who are actively blocked access to the core. The importance of these perspectives is that poverty is not perceived to be a mere attribute of certain categories of people. Instead, it is seen as something that is actively *done* to people. It is not what they are, but what they have been made. It is interesting that the ex-untouchables of India have discarded the appellation given to them by Gandhi – *harijan*, meaning children of God – which they regard as patronising. They prefer *dalit* – which means one who is crushed – because the term implies that they have been oppressed, and it has therefore acquired a cultural context of assertion and anger. In this sense, the term exclusion is useful.

So also is the word social. The most evolved definition of food security so far at the time of writing that we could locate in the literature appears in the *State of Food Insecurity 2001*: “Food security [is] a situation that exists when all people, at all times, have physical, *social* and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life” (emphasis added by me). The inclusion in the definition of ‘social’ access is highly significant, because it acknowledges that people may be barred from access to food even if it is locally available and they have the economic means. These social barriers to food

security may include gender, caste, race, disability or stigmatised ailments.

The expulsion of those who most need support, care and rights – often by their own families, by local communities and most importantly by the State – requires us to identify those classes, social categories and local communities, who are destitute and socially expelled. Even in the more intimate context of a village, many of these socially excluded groups are invisible, barely known and acknowledged. In most contemporary cultural contexts, social categories that consistently tend to be very dispossessed and vulnerable in their access to food include disabled people, both as bread winners and dependents; single women and the households that they head; aged people especially those left behind when their families migrate or those who are not cared for by their grown children; people with stigmatised and debilitating ailments such as TB, HIV/AIDS and leprosy; working and out-of-school children; and bonded workers. In addition, in diverse cultural and socio-economic contexts, others may be added such as certain denotified and nomadic tribes in one place, some specially disadvantaged *dalit* groups like Musahars or Madigas in another, weavers, artisans and particularly disadvantaged minority groups in yet another, all designated “primitive tribal groups”, survivors of conflict and internal displacement, and many other diverse forgotten people. Many of them are of contested citizenship.

In the bridge between rural and urban destitute are the distress migrants, at the bottom of the heap. In the urban context, there are the street children, with or without responsible adult caregivers, urban homeless people, slum dwellers and a wide range of unorganised workers, both seasonal migrants and settlers such as rickshaw pullers, porters, loaders, construction workers and small vendors, and people dependent on begging.

Government programmes are woefully inadequate to address destitution. In fact, they tend to be blind to or in denial of the fact that large numbers of people lack even

the elementary means and power to survive with dignity. It is stressed that this is a duty of the State not to the dead, but to the precariously living. It requires public vigilance about individuals, communities and several categories living with starvation and absolute hunger. It requires the State to act, not after there is an emergency like a drought or flood, not even *after* people die of starvation,

but pro-actively before people slip into destitution, and fail to access in an assured and reliable manner the nutritious and culturally appropriate food they require to lead healthy lives.

Gandhi offered us a 'talisman' to use in moments of doubt and confusion. He asked us to recall the face of the poorest, most defenceless, most powerless man we

have encountered. (Today he would have recognised that she would probably have been a woman!). Ask ourselves whether what we are attempting has meaning for this person: does it touch her life with dignity and worth? Does it augment her power and self-reliance? If it does, it must surely be the right thing to do. It is this talisman that we need to hold up to public policy.



¹ Quoted by Barbara Hariss-White in 'Destitution in India', a paper for the Conference Inequality, Poverty and Well Being, Helsinki, Finland, 30-31 May 2003.

² Barbara Hariss-White, *ibid*.

³ De Haan, A. (1998) 'Social Exclusion: an Alternative Concept for the Study of Deprivation?' *IDS Bulletin*, 29(1), p.10.



Securing Food for the People

Jayati Ghosh*

It is not surprising that questions of food security and the right to food have become such urgent political issues in India today. Rapid aggregate income growth over the past two decades has not addressed the basic issue of ensuring the food security of the population. Instead, nutrition indicators have stagnated and per capita calorie consumption has actually declined, suggesting that the problem of hunger may have got worse rather than better.

Consider the evidence on nutritional outcomes from the most recent National Family Health Survey (NFHS) conducted in 2005-06. According to this, 46 percent children below 3 years are underweight; 33 percent women and 28 percent of men have Body Mass Index (BMI) below normal; 79 percent children aged 6-35 months have anaemia, as do 56 percent of ever married women aged 15-49 years and 24 percent of similar men; 58 percent of pregnant women have anaemia. The national averages mask locational differences: all these indicators are much worse in rural India.

Further, these indicators have scarcely changed, or have changed very little, since the previous NFHS in 1998-99. In terms of calorie consumption, the picture is even worse. According to the National Sample Survey Organisation (NSSO) survey of 2004-05, the average daily intake of calories of the rural population has dropped by 106 Kcal (4.9 percent) from 2153 Kcal to 2047 Kcal from 1993-94 to 2004-05 and by 51 Kcal (2.5 percent) from 2071 to 2020 Kcal in urban areas. The average daily intake of protein decreased from 60.2 to 57 gm in rural India between 1993-94 and 2004-05 and remained stable at around 57 gm in urban areas during the same period.

The recent rise in food prices in India is likely to have made matters much worse, and the effects of the global crisis on employment and livelihoods within the country are likely to cause further deterioration in people's access to food. So questions about legislating the right to food and ensuring policies that actually provide food security become crucial.

The most loose definition of food security is one in which the population does not live in hunger or fear of starvation. But recent definitions have been more stringent. According to the Food and Agriculture Organisation (FAO), food security in a particular society exists "when all people, at all times, have access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."

Such a definition appears to be simple, but is actually quite complex and begs many questions. What is "sufficient"? How is access to be determined and provided? To what extent must food preferences be taken into account? All these questions become even more important when food security is sought to be converted into a legally justiciable right.

It is evident that genuine food security among a population requires a wide range of features, all or many of which are associated with the need for some public intervention. Ensuring adequate supplies of food requires increases in agricultural productivity, possibly changes in cropping patterns, and certainly the sustained viability of cultivation, all of which would be necessary at both local and national levels. Making sure that food can be accessed by all the people requires that they have the purchasing power to buy the

necessary food, which in turn means that employment, remuneration and livelihood issues are important. Social discrimination and exclusion still play unfortunately large roles in determining both livelihood and access to food by different social categories, and this too needs to be reckoned with.

Malnourishment is closely linked to poor sanitation and other unhealthy practices, so that the provision of clean drinking water, sanitation and access to other basic amenities, as well as knowledge about correct or desirable eating habits, are all necessary. Child malnutrition in India tends to be the worst at the age of 5 to 11 months, which suggests that breast-feeding and weaning behaviour matters – and this emphasises the need for society to educate mothers and to enable them to continue breast-feeding and shift to appropriate solids when required.

All of these issues must be addressed if the rampant problem of undernutrition has to be dealt with. But obviously most of these cannot easily be translated into legal provisions and so it is clear that a law, however well-intentioned and carefully phrased, can only address some of the complex factors that determine food insecurity. It is important for the government to be aware of the need for a multi-pronged approach to the problem that has to extend beyond a legal promise if it is to be successful.

This does not mean that a food security law would be meaningless: far from it. In fact, by focussing on universal food access and assigning responsibility and culpability, it would force the government at both central and state levels to take up the entire gamut of issues that relate not

*Prof. Jayati Ghosh teaches Economics at Jawaharlal Nehru University, New Delhi, and is the Executive Secretary of International Development Economics Associates (IDEAS); she is also the co-founder of Economic Research Foundation, New Delhi. She is a columnist for a number of journals and newspapers, member of the National Knowledge Commission advising the Prime Minister besides being involved with several progressive organisations and social movements. She is also a member of CBGA's Board of Trustees.

just to actual food distribution but also to its production and patterns of consumption, so as to eventually ensure genuine food security.

The key point here is that such a law *must guarantee universal access*. The dominant failing of drafts of the proposed legislation that have been circulating in various quarters, is that they do not promise or even try to aim at universal food access. Instead, they tend to be obsessed with targeting food security to the Below Poverty Line (BPL) population and some defined vulnerable groups. Some drafts have gone even further, by suggesting that the non-BPL population be excluded entirely from any public distribution.

There is no question that poor and vulnerable groups have to be the focus of all public action to ensure food security. But making this a legal provision is likely to have exactly the opposite effect from what is intended, by actually *reducing* the access of such groups.

There are many reasons why these targeted schemes, and this one in particular, are unlikely to work. Most significant of all, there are the well known errors inherent in targeting, of unjustified exclusion of the genuinely poor and unwarranted inclusion of the non-poor. These are not simply mistakes that can occur in any administrative scheme; they are inbuilt into systems that try to provide scarce goods to one section of any population. In hierarchical and discriminatory societies like India, where social and economic

power is unequally distributed, it requires no imagination to realise that making a scarce good (cheap food) supposedly available only to the poor is one of the easiest ways to reduce their access.

The second problem relates to the distinction between food insecurity and poverty as currently defined. It is evident from NSSO and NFHS surveys that the proportion of the population that is nutritionally deprived is significantly larger than the “poor” population, and in many states they are not completely overlapping categories either. To deal with food insecurity in an effective manner, it is counterproductive to base public food provision on a predefined group of the “poor”, which would deprive a large number of others who are also food-insecure.

Part of the reason for this relates to the third problem – the absence of any notion of dynamics in a rigid law that defines “poor” and “vulnerable” households in a static sense and changes the group only at infrequent intervals. Households – and people within them – can fall in or out of poverty, however defined, because of changing material circumstances. Similarly, they can also go from being food-secure to food-insecure in a short time. The reasons can vary: crop failures, sharp rises in the price of food, employment collapses, health issues that divert household spending, the accumulation of debt, and so on. Monitoring each and every household on a regular basis to check

whether any of these or other features has caused it to become food-insecure is not just administratively difficult, it is actually impossible.

This is why all successful programmes of public food distribution, across societies, have been those that have gone in for universal or near universal access. This provides economies of scale; it reduces the transaction costs and administrative hassles involved in ascertaining the target group and making sure it reaches them; it allows for better public provision because even the better off groups with more political voice have a stake in making sure it works well; it generates greater stability in government plans for ensuring food production and procurement.

Even among the states of India, those states that have a better record of public food distribution are those that have gone in for near-universal access. Kerala, Tamil Nadu and Andhra Pradesh all have defined BPL in such an inclusive way that the vast majority of the population is included, which makes their schemes close to universal.

So an effective food security law must be universal and not targeted, and it must provide for enough food to meet nutrition requirements (both cereals and pulses) for every citizen. This also means that the entitlement must not be household-based but individual-based. Without these features, the law will not be able even to lay the grounds for genuine food security in the country.





Food Guarantee: Issue is Poor Household Confidence, not Kilos and Rupees

K S Gopal*

Perspective

In discussing food guarantee, its unique and differentiating aspects must first be recognised. Food consumption cannot be postponed for humans have the basic need of food for existence. Also, crucially, food is a weapon for subjugation; so its liberation potential must be invested to ensure a vibrant democracy. If well conceived and implemented, the proposed Act would make freedom/justice within the reach of the poor as it would embolden them to negotiate/bargain against exploitation. Hence, through this law, our aim must be to provide households with the confidence of adequate, nutritious food. Unlike cash, food cannot be printed – it is produced by natural resource endowments and embedded within the ecosystem.

Debating on the food bill must steer clear of food security or starvation. The first hampers a meaningful discussion on issues addressing hunger while the latter is a medico-legal measurement controversy. Experience suggests that the extent of subsidy has no bearing on addressing hunger or guaranteeing food; one need not focus only on pricing it cheap. Targeting need not be on above poverty line (APL) or below poverty line (BPL) but universal for all who are food vulnerable – all children below the age of six, all girls up to the age of 18, all pregnant and nursing mothers, all people above 60, all physically challenged persons and all short-term distress migrants.

Approach

We must unbundle each aspect of the discussion and link it to related legal enactments, constitutional provisions and

court orders. It must also take into account the international covenants India has signed for these reflect on what is already committed upon. This provokes the thinking and ambition of activists, to campaign for and succeed in ensuring the Right to Food; it makes the deliberations educative while strengthening the negotiations with the authorities.

The law must clearly stipulate tasks, responsibilities and accountability (and at various levels). The funds must be adequate, independent and predictable. Storage proximity and buffer stocks must be benchmarked along with the physical and human resource infrastructure required. The legislation must understand and tackle the real power and denial dynamics on the ground and provide bargaining safeguards and status for those whom the law will serve. In developing such a framework, the Bonded Labour System (Abolition) Act and Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act could serve as valuable guidelines.

Understanding

A plethora of rights – information, education or employment – have been brought in after they were easily won. Amid this euphoria, let us note that it took decades of struggle to earn the right of association or to form trade unions. It recognised adversarial interests and power dynamics to incorporate legally binding procedures of arbitration and settlement. But now, we do not go beyond the ombudsman, social audit or grievance mechanisms to address power and authority. Entitlements cannot be dependent on benevolence. The deliverance of Panchayat Extension to Scheduled Areas Act (PESA), SC/ST Act and Domestic Violence Act from the victim viewpoint is well known. Unlike

other rights, food is fundamental for human life and needs a thought trajectory that understands and is based on its unique aspect of consumption. It cannot be postponed. So, how do we guarantee confidence in it?

Reality Check

The much-hailed Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) forms the backdrop of the thinking on the Right to Food. Although a historical and forward looking legislation, what are its lessons? Though labelled a “universal employment right to all rural households”, it gives employment only to people capable of doing hard manual work. In reality, it serves to address labour market inadequacy as an additional employment provider. The worst affected are areas not usually reached by most government services – remote and interior areas facing high incidence of poverty and hunger, and who at best get a paltry 15 days employment.

Nonetheless, it is a good antidote as an economic stimulus since it puts purchasing power with the people. Its stature and investment rose in response to the global economic downturn, only to be subsequently constricted (after the crisis receded) by new rules that delinked it from minimum wages and consumer price index followed by capping of the already meagre employment offer etc. The Maharashtra Rural Employment Scheme serves the sugarcane production cycle as supplementary wage employment that keeps workers in good health during the agricultural season. So it is crucial that food provisioning must be built into economy dynamism and not just into the budget.

To qualify as universal rural employment right, MGNREGS should have actually

*K S Gopal heads the Hyderabad-based Centre for Environment Concerns, which focuses on dry farming and its ecology, food security, and drought mitigation among other issues. He is also the Chairperson of the National Employment Guarantee Council Committee on Works on Individual Lands in MGNREGS.



addressed all needy people wherein people define their capability and what they can deliver for minimum wage to be guaranteed with the rest being government business. Thus, if the NREGS approach is adopted, food will reach only to those already fed, albeit more. We must learn this crucial aspect in shaping the food bill.

Way Forward

Our experience suggests two options to assure food to the needy. Both were implemented by the Andhra Pradesh government in drought prone backward areas, centered on providing confidence to households on food, and found that with enhanced aggregate grain availability in the community of the poor and hungry can be eliminated.

In 2002-03, India had huge food stocks with some rotting while there were media reports of incidents of alleged starvation deaths. Economists suggested lowering of the issue prices to enable off-take. Food consumption and purchase was a simple issue of price elasticity. The Chairman of Hindustan Lever made a powerful plea for it in their annual shareholders meeting. The issue price was lowered but no increase was observed in the public distribution system (PDS) off-take. On the other hand, some food item manufacturers and exporters took away all of it. What was intended to tackle hunger ended up making super profits! The government was happy as the Press was no longer embarrassing it.

We took a different approach as our aim was of ending hunger. We proposed to the government to provide food to women

groups on credit. It must be monthly supplies of 50 kg of rice delivered at the doorstep during the first week of the month. Based on income profiling and employment opportunities, three repayment models were developed. Teams were formed to educate borrowers on ensuring integrity of the system by resolving problems within the women's groups. The state government provided a hundred thousand tonnes of rice. The issue price remained at the original Food Ministry costs and higher than what was made available to business by them. In addition, certain transaction costs and savings amounts were added to adjust repayment default. The scheme was a runaway success and repayment, even though administered by a government agency, was regular, prompt and hundred percent.

Called the Rice Credit Line, the women unanimously said: "It is worth a billion rupees and very dear to our heart. Our self respect and confidence has gone up. We can now face any adversity, as we have food in our house to feed every ones stomachs". One of them observed that no one went hungry as there was enough food in the households of the habitation that was given to the old and infirm. Migrants were happy that their families back home were fully fed. Can't such a universal system, with foodgrains at prices lower than the market rate, be a way of reaching food to the poor and needy? People are willing to pay but their incomes are uncertain while food is needed thrice every day.

Another approach was adopted in the National Food for Work Scheme, the precursor to NREGS. Here 50 kg of rice and eight kg of *dal* (pulses) were given to all

households coming for work. It is delivered by the first week of every month and regardless of progress of work. Officials were hesitant as they felt that workers would not come to work as they had already received the foodgrains. In fact, the opposite took place as workers undertook work worth all the grains that they would get in the first three months while waiting to receive the monthly entitlement for months after. This scheme, called Food Assurance, was a big success. Addressing a public meeting in Hyderabad, UPA Chairperson Sonia Gandhi said: "Keep a watch on the implementation of the programmes to ensure that the target groups are not deprived of the benefits". Eight districts in the state fall under 150 backward districts in the country where a Food Assurance scheme is being implemented. (The Hindu, March 6, 2005).

MGNREGS offers a unique opportunity to wipe out hunger and make the needy food confident in a short time without any augmentation to existing resource allocations for food. Rapid food circulation from farm to mouth can bring down costs considerably in terms of storage and wastage. Its investment, if planned well for agriculture development, will enable higher production and productivity to meet the supply requirements along with local production. So, rather than being fixated with issues like price, subsidy and grain quantum etc., the discussions should be targeted at bolstering *confidence*, especially of household women, as that is the pathway to meet the expectations of the food deprived.



Should Public Distribution System be Targeted?

Madhura Swaminathan*

In 1997, following the advice given in an influential World Bank document¹, the Government of India introduced the Targeted Public Distribution System (TPDS) in order to curtail the food subsidy². The policy initiated targeting of households on the basis of an income criterion, that used the income poverty line to demarcate “poor” and “non-poor” households. More than a decade later, it is clear that the TPDS has not been effective in ensuring food security to the needy. The biggest drawback of targeting has been the large-scale exclusion of genuinely needy persons from the PDS. I illustrate this problem with data from the 61st round of the National Sample Survey (GOI, 2007). The data show that targeting has led, in rural India, to *high rates of exclusion of needy households from the system and a clear deterioration of coverage in states like Kerala where the universal PDS was most effective*. I restrict myself to data for rural areas for the rest of this note.

The first stage of exclusion is of households that do not possess a ration card (Table 1). Excluding the states of the North East,³ the proportion of households with “no card” is highest in Orissa - where 33 percent of rural households did not possess any type of ration card. Thus, in a state characterised as “severely food insecure”⁴, one-third of rural households were outside the purview of the PDS. In another 10 states, more than 20 percent of rural households did not possess a ration card. Relatively high coverage of ration cards, defined as a situation where less than 15 percent of rural households lacked a ration card, was observed in the hill states of Himachal Pradesh, Uttarakhand and Jammu and Kashmir, in Mizoram and Tripura in the North East, in Punjab, Haryana and Rajasthan in north-west India, in Kerala

and Tamil Nadu in the south, in Goa and Gujarat in the west and in West Bengal in the eastern part of India. In terms of the first cut, namely inclusion of households in the PDS through possession of a ration card, these 13 states with Mizoram and Tripura in the lead, are the better performers.

From March 2000 onwards, the prices for grain for above poverty line (APL) card holders were hiked and the gap between below poverty line (BPL) and APL prices widened. In many states, APL prices of grain were similar to market prices and, as a result, households with APL cards stopped participating in the PDS. So, a second level of exclusion operates for households possessing an APL card. In a large majority of states, *60 percent or more of the population either had no ration card or an APL card, and were thus effectively excluded from the PDS*. This includes the BIMARU states, the relatively backward states of Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh. It also includes states like Kerala which was a model for the rest of the country before TPDS was introduced. The exceptions were Andhra Pradesh and Karnataka – the only two states in which a simple majority of rural households possessed BPL or Antyodaya cards. Tamil Nadu is also an exception because it has the same entitlements for BPL and APL households.

What are the characteristics of households without a ration card or with an APL card? Let us consider agricultural labour households, since manual labour households are undoubtedly among those most in need of access to the PDS. There were only four states (Tamil Nadu excluded) in which two-thirds or more of agricultural labour households held

Antyodaya or BPL cards. These states were Andhra Pradesh, Karnataka, Jammu and Kashmir and Tripura. The all-India average indicates that 18.5 percent of agricultural labour households had no card and another 33.6 percent had an APL card. Combining the two, the effective exclusion was 71 percent in Bihar and 73 percent in Uttar Pradesh.

The Tendulkar Committee has recommended an all India rural poverty line of Rs.446 in monthly per capita expenditure at 2004-05 prices. Taking the closest expenditure category from the NSS Report (Rs.455 per capita per month), we find that only 38 percent of households with monthly expenditure below this new poverty line possessed a BPL or Antyodaya card. Of total households with below poverty line expenditure, 19 percent had no card and another 43 percent had an APL or other card. To put it differently, the error of wrong exclusion was 28.3 percent while the error of wrong inclusion (of the so-called non poor) was 12.3 percent (Table 3).

In the policy debate in India, the entire focus appears to be on saving resources, that is, on the errors of wrong inclusion. However, we know that there is a trade-off between the two types of errors of targeting, and there is a strong case for a higher weight to be attached to the error of wrong exclusion, as the cost of this is malnutrition and associated effects on individual functioning, on productivity, disease burden, and so on. In a country that has not been able to meet the first MDG goal, it is clearly time to attach a higher weight to the error of wrong exclusion, and to move from narrow targeting to universal access.

*Prof. Madhura Swaminathan, a development economist, teaches at the Indian Statistical Institute, Kolkata. She was on the High Level Committee of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution, GOI, set up to formulate a “Long-Term Grain Policy”. Her research areas include food security, agriculture and rural development.

Table 1: Distribution of households by type of ration card possessed, all states, rural areas (per cent of households), 2004-05

State	Antyodaya	BPL	Other	No ration card	All
Andhra Pradesh	2.8	53.7	16.0	27.5	100
Arunachal Pradesh	0.7	16.1	59.8	23.4	100
Assam	0.6	11.8	63.1	24.6	100
Bihar	2.3	15.1	60.1	22.5	100
Chhattisgarh	4.4	34.9	32.1	28.6	100
Goa	5.1	13.4	72.9	8.7	100
Gujarat	0.8	36.1	50.4	12.7	100
Haryana	2.6	16.0	68.3	13.1	100
Himachal Pradesh	6.2	10.6	76.0	7.2	100
Jammu and Kashmir	0.5	22.7	73.4	3.4	100
Jharkhand	3.0	22.8	51.1	23.1	100
Karnataka	9.6	42.1	25.7	22.6	100
Kerala	1.8	27.7	57.1	13.4	100
Madhya Pradesh	3.3	30.8	38.0	27.9	100
Maharashtra	4.4	30.5	46.3	18.9	100
Manipur	0	22.3	15.5	62.2	100
Meghalaya	2.6	23.6	51.0	22.7	100
Mizoram	1.7	36.4	60.6	1.4	100
Nagaland	0.4	6.3	3.0	90.4	100
Orissa	2.0	42.4	22.5	33.1	100
Punjab	0.1	11.9	75.7	12.2	100
Rajasthan	2.8	15.7	77.9	3.6	100
Sikkim	1.0	39.5	32.4	27.2	100
Tamil Nadu	1.5	18.9	68.9	10.8	100
Tripura	1.6	38.9	57.2	2.4	100
Uttar Pradesh	2.8	13.5	65.1	18.5	100
Uttarakhand	2.5	23.2	66.3	7.9	100
West Bengal	3.2	27.3	61.1	8.4	100
All India	2.9	26.5	51.8	18.7	100

Note: BPL refers to below-poverty-line cards and 'other' refers mainly to above-poverty-line or APL cards.

Source: Government of India (2007).

Table 2: Distribution of Agricultural labour households by possession of ration card, all States, rural (in per cent of households) 2004-05

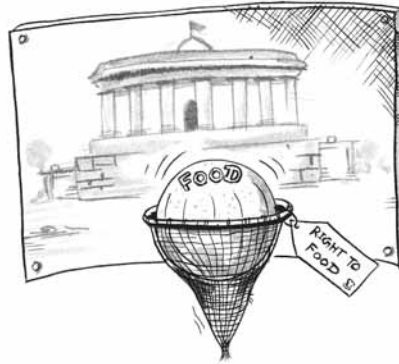
State	Included (with BPL or Antyodaya card)	Excluded (no card)	APL/other	All
Andhra Pradesh	70.5	18.9	10.7	100
Arunachal Pradesh	11.3	41.2	47.5	100
Assam	31.4	29.7	38.9	100
Bihar	29.1	28.6	42.3	100
Chhattisgarh	54.3	29.3	16.5	100
Goa	39.1	2.6	58.4	100
Gujarat	62.4	9.5	28.1	100
Haryana	49.4	4.8	45.8	100
Himachal Pradesh	46.7	3.4	49.9	100
Jammu & Kashmir	67.7	4	28.4	100
Jharkhand	32.7	20.7	46.5	100
Karnataka	69.8	14.8	15.4	100
Kerala	52.6	16	31.4	100
Madhya Pradesh	50.8	27.3	21.9	100
Maharashtra	49.7	19	31.3	100
Manipur	4	79.5	16.5	100
Meghalaya	61.4	20	18.7	100
Mizoram	14.7	0	85.3	100
Nagaland	0	100	0	100
Orissa	59.8	26.7	13.5	100
Punjab	23.4	15	61.7	100
Rajasthan	32.4	6.9	60.8	100
Sikkim	57.9	32.9	9.2	100
Tripura	66.6	2.5	30.9	100
Uttar Pradesh	27	22.7	50.4	100
Uttarakhand	43.2	11.8	45	100
West Bengal	47.2	11.6	41.1	100
All - India	48	18.5	33.6	100

Source: NSS 61st Round, Report No 510, Table 2R

Table 3: Errors of targeting in distribution of ration cards (for households defined as poor and non-poor by MPCE below the official poverty line), all India, rural (in per cent), 2004-05

Category	%
Poor included	17.2
Poor excluded	28.3
Non poor included	12.3
Non poor excluded	42.9
All	100

Note: Here inclusion is defined as possession of Antyodaya or BPL card and exclusion as possession of APL/Other card or no card.



¹ See World Bank (1996. 'India's Public Distribution System: A National and International Perspective', Poverty and Social Policy Department, November (Reprinted as Radhakrishna, R. and Subbarao, K. 1997. World Bank Discussion Paper No 380).

² See Focus on the Poor. Ministry of Civil Supplies, Consumer Affairs and Public Distribution, Government of India (1997).

³ There are some serious problems of data quality in the data for the North Eastern States of India.

⁴ MSSRF (M. S. Swaminathan Research Foundation) and World Food Programme, 2001, Food Insecurity Atlas of Rural India, Chennai.



Food Security in India

N.C. Saxena*

According to the GOI Economic Survey, foodgrain production in India has declined from 208 kg per annum per capita in 1996-97 to only 186 kg in 2009-10, a decline of 11 percent. Despite reduced production, India has been exporting on an average 7 million tonnes of cereals per annum, causing availability to decline further by 15 percent from 510 gm per day per capita in 1991 to 436 gm in 2008.

National Sample Survey Organisation data (61st Round) on consumer expenditure on food consumption indicates that as India moved to greater prosperity in the last 20 years, the cereal consumption of the rural rich went down but there was no increase for the poor. At any given point of time, the cereal intake of the bottom 20 percent in rural India continues to be at least 20 percent less than the cereal intake of the top decile of the population, despite better access of the latter group to fruits, vegetables and meat products. Their sedentary lifestyle too should be taken into account while assessing the difference between the two groups. For the upper segment of population, the decline may be attributed to a diversification in food consumption, easy access to other high value agricultural commodities, changed tastes and preferences, and consumption of more expensive non-foodgrain products. Higher economic growth and per capita incomes thus contribute to reduction in per capita demand for cereals for the rich.

However, for those who are around the poverty line, this has to be understood as a distress phenomenon, as with marginal increase in their incomes over time they are forced to cut down on their food consumption to meet other pressing

demands of health and education that were not considered important in the past. Food is still needed, but not demanded for lack of money. Endemic hunger continues to afflict a large proportion of the Indian population. Internationally, India is shown to be suffering from alarming hunger, ranking 66 out of the 88 developing countries studied by the International Food Policy Research Institute (IFPRI) in 2008. India as part of the world community has pledged to halve hunger by 2015, as stated in the Millennium Development Goal 1, but the present trends show that this target is unlikely to be met.

Policy recommendations

Food insecurity and hunger is caused by a large number of factors and hence solutions too have to be multi-sectoral in nature. First, revamp small holder agriculture. Because of stagnating growth in agriculture after the mid-1990s there has been employment decline, income decline and hence a fall in aggregate demand by the rural poor. The most important intervention that is needed is greater investment in irrigation, power, and roads in the poorer regions. It is essential to realise the potential for production surpluses in Central and Eastern India, where the concentration of poverty is increasing.

Second, launch massive watershed development programmes in central India, where most tribes live. In a successful watershed programme the poor benefit in three ways. First, as the net sown area and crop intensity increases, more opportunities for wage employment are created, which may also increase the wage rate besides the number of days of

employment. Second, increased water availability and reduced soil erosion increases production on small and marginal farmers' lands. And last, the higher productivity of Common Property Resources improves access of the poor to more fodder, fuel wood, water and Non Timber Forest Products (NTFPs). NREGA assets should be monitored for at least five years to establish their links with drought proofing and enhanced availability of water.

Third, start a drive to plant fruit trees on degraded forests and homestead lands that belong to or have been allotted to the poor. This will not only make the poor people's diet more nutritious, but will also diversify their livelihoods and reduce seasonal vulnerability.

Fourth, create more job opportunities by undertaking massive public works in districts with low agricultural productivity. The upper limit of work guarantee of 100 days per worker should be enhanced to 150 days through an amendment in the Rules in the poorest 200 districts. Fifth, improve the skills of the poor for market oriented jobs, so that they are absorbed in sunrise industries such as hospitality, security, health and construction.

Sixth, launch a drive in collaboration with civil society to cover the poorest, as a large number of homeless and poor living in unauthorised colonies in urban areas have been denied ration cards, and are thus not able to avail of the Public Distribution System, on the ground that they do not have an address! In Rangpur Pahadi, a slum area just two kms from Vasant Kunj (Delhi), people living since 1990 have not been given even voter ID or any ration cards. Thus their very existence is denied by the Delhi Government!

Seventh, give shops to panchayats, women's self-help groups, or to those who already have a shop so that it remains open on all days. Making it obligatory for

*Dr. N.C. Saxena has had a distinguished career in the Indian Administrative Service and academics, retiring as Secretary, Planning Commission. He is currently a member of the National Advisory Council and Supreme Court-appointed Commissioner on Right to Food. He is also Senior Advisor, UNICEF India, and a visiting fellow to several educational institutions abroad.

dealers to sell non-cereal items will ensure better communication between the dealer and the card holders.

Eighth, prepare a comprehensive list every two years of the destitute needing free or subsidised cooked food. Open up mid-day meals kitchen to the old, destitute and hungry in the village. This is already being done in Tamil Nadu, and its replication in other states should be funded by the GOI. Establish community kitchens across cities and urban settlements to provide inexpensive, subsidised nutritious cooked meals near urban homeless and migrant labour settlements.

Last, India requires a significant increase of targeted investments in nutrition programmes, clinics, disease control, irrigation, rural electrification, rural roads and other basic investments, especially in rural India, where the current budgetary allocations are inadequate. Higher public investments in these areas need to be accompanied by systemic reforms that will overhaul the present system of service delivery, including issues of control and oversight. Outlays should not be considered as an end in itself. Delivery of food-based schemes requires increasing financial resources, but more importantly, the quality of public expenditures in these areas. This in turn requires improving the governance, productivity and accountability of government machinery.

Food Security Bill

The proposed Act will be enforced largely through the Targeted Public Distribution System, which unfortunately suffers from severe systemic flaws. The Planning Commission Survey (2004) says that 58 percent of the subsidised foodgrains do not reach the BPL families, with 36 percent sold in black. Diversion of commodities is a big problem due to lack of transparency, low accountability and poor monitoring in the scheme's implementation.

Food Ministry should 'own' the PDS –

The Centre cannot close its eyes to large-scale fraud in PDS by taking a narrow 'constitutional' position that implementation is the State's responsibility. The Food Ministry should have a greater sense of ownership of the scheme, and improve its oversight mechanisms. For instance, it should start an annual impact study of the PDS, especially in the poorer states.

Universalise PDS in five years –

All basic entitlements should be universal. Food for all, health for all, education for all, work for all – these should be taken as the bottom line. Thus food security is needed for all, and not only for those who are officially below the poverty line. This issue is particularly relevant for combating food related hunger, because the number of food deficit people is at least double the number of officially declared poor in India. Therefore all out efforts should be made to increase foodgrain production and procurement, especially of millets and nutritious grains (the so-called coarse grains), so that the government has enough stocks after five years to universalise PDS. In the interim, **the poorest 150 districts (which will cover most of the tribal majority areas in central India) should have universal PDS.** In no case export should be permitted. If basmati is to be exported, equal amount of ordinary (or even broken) rice should be imported.

Create new entitlements – The Act must also create new entitlements for those who are excluded from existing schemes, including out-of-school children, the elderly and the infirm in need of daily care, migrant workers and their families, bonded labour families, the homeless, and the urban poor. Households holding an Antyodaya Card should be entitled to 5 kg of pulses at a price not exceeding Rs 20/kg and 500 gm of oil at a price not exceeding Rs 35/kg under the PDS.

Reduce exclusion and inclusion errors in identifying the poor –

According to the 11th Five Year Plan (Volume 2, Chapter 4), there are huge exclusion and inclusion errors in identifying the poor. More than half of the poor either have no card or have been given above poverty line (APL) cards, and are thus excluded from below poverty line (BPL) benefits. These must be presumably the most poor tribal groups, women headed households, and people living in remote hamlets where administration does not reach. Thus the people most deserving of government help are deprived of such assistance. On the other hand, almost 60 percent of BPL or Antyodaya cards have been given to households belonging to the non-poor category. This needs to be corrected by launching a drive to weed out errors of exclusion and inclusion.

Provide cash subsidy? – Large scale substitution of PDS by direct cash transfers (DCT) is not feasible, as foodgrains purchased from the farmers through Minimum Support Price (MSP) mechanism need an outlet for distribution. Besides, DCT requires a good banking structure, functional registration system and widespread use of debit cards. At best, it could be tried on a pilot basis in a few poor localities of metropolitan cities.

The right to food cuts across programmes of many sectors – including health, nutrition, agriculture, livelihoods, gender and water. This means that in any context, at least half a dozen ministries will be operating programmes that have some impact on availability, access and absorption of food. Converging all of these under a central leadership is critical. Brazil converged as many as 31 programmes which are now overseen by the Ministry of Food Security and combating hunger. It is imperative that our proposed legislation brings together all these programmes on a single converged platform.



Right To Food and National Food Security Act

S. Mahendra Dev*

India has many international obligations to fulfill the right to food with respect to children and adults. The Indian constitution also indirectly refers to this right. Therefore, there is an obligation for the government at the Centre and in the states to meet the people's right to food. In spite of many programmes, there are concerns regarding access to food and malnutrition.

The Presidential address to Parliament and the Union Budget 2009 indicate that the government would enact a law that will provide a statutory basis for a framework which assures food security for all. According to this proposed law, every family below the poverty line (BPL) in rural as well as urban areas will be entitled by law, to 25 kg of rice or wheat per month at Rs. 3 per kg. The Empowered Group of Ministers (EGoM) indicates the BPL population based on the Tendulkar Committee report to be 37.2 percent. There are three problems with this approach – (a) There are many targeting errors with the BPL approach; (b) Rice and wheat only partially fulfil right to food as we need other commodities in the diet; (c) nutrition security also has to be incorporated in right to food. The National Advisory Council (NAC) has recently proposed “priority” category and “general” category instead of BPL approach to cover 75 percent of the population.

There has been a serious debate on the question: Should the public distribution system (PDS) be targeted or universal? The advantage of universal PDS is that targeting errors can be minimised, particularly the exclusion error (exclusion of poor). Also, *right generally refers to the entire population.*

Need for Comprehensive Food

Entitlement Act: The originally proposed national food security law is too confined. The Right to Food (RTF) campaign demands a comprehensive “Food Entitlements Act”. It goes beyond the narrow promise of supplying foodgrains to the BPL population. “Aside from an overarching obligation to protect everyone from hunger, as well as to promote sustainable and equitable food production, essential provisions of the proposed Act include: a universal public distribution system (providing at least 35 kg of grains per family); special food entitlements for destitute households (including an expanded Antyodaya Programme); consolidation of all entitlements created by recent Supreme Court Orders (e.g., cooked Mid Day meals in primary schools and universalisation of ICDS); support for effective breastfeeding (including maternity entitlements and crèches); safeguards against the invasion of corporate interests in food policy; and elimination of all social discrimination in food related matters.” The campaign further says the Act must have strong accountability and grievance redressal provisions including mandatory penalties for any violation of the Act and compensation for those whose entitlements have been denied”¹

It is argued in general that RTF in terms of providing food and nutritional security to all is a much broader concept than the proposed National Food Security Act of providing 25 kg of foodgrains at Rs.3/kg. Many things have to be included in order to have genuine “right to food”. There is an obligation to fulfill the right to food of the people². As Jean Dreze mentions, RTF can be seen from three perspectives: Indian Constitution, international declarations

and moral and social right. Its core content refers to availability, accessibility, adequacy and sustainability.³

A summary of demands of the Right to Food Campaign on the legal guarantees pertaining to the National Food Security Act are as follows:

- Remove APL, BPL – subsidised food for all.
- Nutritional Security with per head monthly entitlements of 14 kg of cereals, 1.5 kg of pulses and 800 gm of oil.
- Expand PDS procurement and use PDS to revitalise agriculture.
- Make procurement and distribution local and decentralised.
- Children's right to food be ensured.
- Special rights for vulnerable and excluded sections.
- No cash transfers.
- Food entitlement cards in the name of women.
- Effective grievance redressal mechanisms, with punishments, penalties and compensation.
- Affirmative action for *dalits, adivasis* and other socially discriminated groups.⁴

Right to food has to cover the entire food security system including procurement, buffer stocks and PDS rather than concentrating on the latter only. The procurement policy is also important for the success of RTF and the present policy has its set of problems. It is benefiting few regions and few crops. We need to have procurement facilities in eastern states like Bihar and Orissa.

*Prof S. Mahendra Dev is currently the Director of the Indira Gandhi Institute of Development Research, Mumbai. A development economist, he has written on agricultural development, food security and employment guarantee schemes. He was formerly Chairman, Commission for Agricultural Costs and Prices and has also been associated with international organisations like UNDP, World Bank, International Food Policy Research Institute and ESCAP.

Recent Proposals of National Advisory Council

Keeping in mind the budgetary and foodgrain constraints of the government, the National Advisory Council (NAC) proposed a “near universal with differential entitlements” food security programme. According to NAC, at least 75 percent of the country should get subsidised foodgrains. This is further broken down as 90 percent of all households in rural India, and 50 percent in urban areas. NAC is not using BPL criteria but has suggested two broad categories – “priority” and “general” – eligible under the proposed food security law. The NAC has based on the Tendulkar panel report to quantify the two categories. Accordingly, the priority category is estimated to include 46 percent of all households in rural areas and 28 percent in urban. The general category is at 44 percent of all rural households and 22 percent of urban.

Regarding the entitlement, NAC has proposed that the priority category will receive a monthly entitlement of 35 kg of foodgrains at a subsidised price of Rs.1 per kg for millets, Rs.2 per kg for wheat and Rs.3 per kg for rice. The general category will get a monthly entitlement of 20 kg. of foodgrains at a price, which would not exceed 50 percent of the minimum support price (MSP). The prices would remain unchanged till the end of 12th Five Year Plan. It recommended implementation of the first phase from the next financial year, 2011-12, and complete coverage by 2013-14. NAC will also examine proposals for PDS reforms including decentralised procurement and storage; and de-privatisation of PDS outlets as in Chhattisgarh where these are run by self help groups and other village bodies.

NAC’s food security bill also includes legal entitlements for child and maternal nutrition, as well as for community kitchens and programmes for feeding the destitute and vulnerable groups. NAC has recommended universalising primary healthcare, extending nutrition and health support to adolescent girls, strengthening the school health programme, the programme for vitamin A, iodine and iron supplementation and the national programme for kitchens.

The NAC proposals on food security bill are much better than what the government had originally proposed. But, they fall short of the proposals of the Right to Food campaign which recommended universal PDS. It may be noted that although NAC calls it “priority” criterion, the proposal seems to be again following the BPL approach.

Focus on Nutrition: At the national and international levels, it is recognised that the ultimate objective of the right to food is the achievement of nutritional well being of adults and children. Thus, RTF needs to be understood in a much broader sense as the right to adequate food and nutrition. The Prime Minister referred to the malnutrition situation in India as a “national shame”. It is known that calorie intake is only one of the determinants of malnutrition. Therefore, giving foodgrains at subsidised prices would lead to only partial fulfilment of food and nutritional security.

Undernutrition across states varies from 21 percent in Mizoram to 60 percent in Madhya Pradesh as per 2005-06 statistics. It is relatively low in Kerala, Goa and the North Eastern states. Gender inequality is an important factor that determines malnutrition levels. A distinction can be

made between direct or immediate or indirect but substantive and institutional factors. For example, food intake, micro nutrients, diet diversification, health, water and sanitation are direct determinants while women’s empowerment, agriculture, rural non-far sector etc. are indirect determinants. Women’s health, education and empowerment play an important role for lower malnutrition in some states. In general, gender equality and the well-being of children go hand in hand. The rights of women and children are mutually reinforcing. Apart from these factors, hygiene, sanitation and clean drinking water play a crucial part since sick children are not able to absorb essential nutrients.

India has government programmes such as Targeted PDS including Antodaya Anna Yojana, nutrition programmes like Mid Day meals, the Integrated Child Development Services to improve food and nutrition security. At the same time, there is a need for improvement in health services, empowerment programmes for women, programmes on sanitation, drinking water and hygiene. The effectiveness of these programmes have to be increased in order to realise the right to food.

International experience also shows that effective implementation of direct programmes have improved food and nutrition security. Thailand is considered one of the most outstanding success stories of reducing child malnutrition post-1970s. The country launched large focussed programmes on nutrition in 1977. The child malnutrition declined from 51 percent in 1979-82 to 17 percent in 1991. The success is attributable more to the direct nutritional programmes of the govt. than only to rapid economic growth.

¹ Khera, Reetika (2009), “Right to Food Act: Beyond Cheap Promises”, Economic and Political Weekly, July 18, Vo.42, No.29.

² Dev, S.Mahendra (2003), “Right to Food in India” Working Paper no. 50, Centre for Economic and Social Studies, Hyderabad, Dev, S.Mahendra (2008); “Inclusive Growth in India: Agriculture, Poverty and Human Development”, Oxford University Press, Delhi; and, Gaiha, R. (2003), “Does Right to Food Matter?”, Economic and Political Weekly, Vol.38, no.40, pp. 4269-4276, October 4, 2003.

³ Dreze, J. (2004), “Democracy and Right to Food”, Economic and Political Weekly, April 24.

⁴ Right to Food Campaign (2010), “National Food Security Act, An Introductory Primer on the Legal Guarantees Demanded by the Right to Food Campaign”, <http://www.righttofoodindia.org>.



Food Security sans PDS: Universalisation through Targeting?

Smita Gupta*

The case of the Food Security Bill gets curiously and curiously. What started off as a fight between universalisation and targeting has ended (or so it would seem) in a complete victory in the National Advisory Council (NAC) of the Government of India for targeting through universalisation (if such a thing was possible), with the honourable exception of Prof Jean Dreze, who has to be commended for his “note of disagreement”.

The Proposal

On 30th August, 2010, the NAC Working Group had recommended “universalisation with differentiated entitlements”, dividing the poor into two categories, 42 percent in *antyodaya* and the rest in *aam* (general). They found the best way to kill a Bill; make it so complicated that it is completely unworkable in practice. A complicated Bill also means that there is immense scope for bureaucratic intervention and interpretation, with a high degree of arbitrariness. Too much power gets vested in the hands of the Central government since an Act of this kind will leave more and more provisions to the Rules, where the executive has immense discretion and essentially needs to notify each decision without passage by the legislature. Often, Rules are in variance with the intent of Parliament.

This is precisely the direction in which the highly awaited food security bill is headed in the NAC. When the initial attempts by government to target food security to a small section of India’s hungry people met with stiff resistance, the government decided to be more innovative, and instead of an openly exclusionary approach, it decided to obfuscate issues in a confusing labyrinth of entitlements, categories, prices and phases. The ‘Gist of

Decisions’ taken by them on 23rd October 2010 rechristens (presumably) below poverty line (BPL) as “priority”, above poverty line (APL) as “general”. It increases the percentage of priority households for rural areas by 4 percentage points and for urban areas by 2 percentage points when compared to Tendulkar Committee estimates. The *inter se* share of each state is to be in accordance with the discredited Planning Commission ratios. To these households, it gives 35 kg rice, wheat or millets at Rs.3, Rs.2 and Re.1, respectively. Thus, the Antyodaya entitlements are now to be given to all priority households. The general category households will comprise 44 percent of the rural households and 22 percent of the urban households, and will be entitled to 20 kg per month at half the Minimum Support Price (MSP). Thus 90 percent rural households and 50 percent urban households are to be covered with unequal and differentiated entitlements. The mechanism and criteria for their identification/selection is left once again to the prime architect of the present disastrous system, namely, the Central government.

Table 1 clearly shows the statistical skulduggery that is involved in an exercise by which the NAC in fact reduces the number of priority households (a euphemism for BPL) by 2.11 crore (11 crore persons) as compared to the present number of actual cardholders. In fact, the current situation is that 56 percent of the 2001 population has already got BPL cards. By a clever sleight of hand, this will come down by 14 percentage points in the NAC formulation, a removal of 3.4 crore households (a whopping 18.8 crore persons).

Widespread Hunger Requires Universalisation

In a country where existence at sub-optimal levels of food consumption

occupies the space between life and death for many, the argument in favour of a universal system of food security is so compelling that nobody, not even the most parsimonious fiscal expert, can refute it. The government has always spoken about “food security for all”. This is not surprising since endemic hunger continues to badly affect a large section of the Indian people. The International Food Policy Research Institute (IFPRI)’s Global Hunger Index (GHI) places India in the category of nations where hunger was ‘alarming’, ranking 66 out of the 88 developing countries. IFPRI estimates of the hunger index for the 17 major states in 2008 (more than 95 percent of the population of India), put 12 into the ‘alarming’ category, and one into the ‘extremely alarming’ category. High levels of hunger are seen even in high growth states. Expectedly, the backward eastern and central region has the worst performance.

Eighty percent of the rural population, 64 percent of the urban population, and 76 percent of the total population suffer from inadequate calorie and food consumption. More than half of India’s women and three-quarters of children are anaemic, with incidence among pregnant women an even higher 59 percent. The proportion of underweight children remains at around 48 percent for the past 20 years. 30 percent infants have low birth weight. One in every three adult Indian has a body mass index (BMI) below 18.5 indicating chronic energy deficiency (CED). The obvious strategy to tackle hunger and malnutrition is to universalise and strengthen the Public Distribution System (PDS) by making adequate food available at affordable prices. The government must scrap targeting; universalise the PDS and delink entitlements from the Planning Commission’s wobbly poverty estimates;

*Smita Gupta is a well-known development economist. She has been associated with the Institute for Human Development and is also part of the Research wing of CPI (M).

Table 1: The Numbers Game

1	Current BPL families in crores permitted by Planning Commission based on 1993-94 poverty level of 36 % and 2001 population (projected from 1991) i.e., 99.69 crore and not actual 102.87 crore	6.52
2	Number of households (persons) left out in 2001 due to continued usage of projected rather than actual population of 2001 in crore	0.39 (2.14)
3	If the currently applied 1993-94 poverty level (36%) is applied to the current population, number of BPL households in crore	7.92
4	Number of households (persons) left out in 2010 due to continued usage of projected rather than actual population of 2001 in crore (2010 population at 117.67 crore or 22 crore households)	1.4 (7.7)
5	BPL families actually issued cards in crore	11.04
6	Households holding cards as a % of 2001 population	56
7	If Tendulkar 37.2% is given BPL status, their number in 2010 in crore	8.18
8	If existing share of 56% applied to 2010, number of BPL households in 2010 in crore	12.32
9	NAC priority households in rural areas (46%)	7.29
10	NAC priority households in urban areas (28%)	1.6
11	NAC priority households in 2010 in crore (total)	8.89
12	Reduction in number of eligible households (persons) as compared to present number in crore (Row 5 minus Row 11)	2.11(11.61)
13	Reduction in number of eligible households (persons) as compared to present percentage in crore (Row 8 minus Row 11)	3.43 (18.87)

include commodities like pulses, sugar, cooking oil and kerosene at subsidised rates; incorporate all food and nutrition schemes of the Central government such as the Mid-Day Meal scheme and Integrated Child Development Services (ICDS) nutrition programme in the proposed legislation. But NAC does not recommend this. Why?

Why Target?

"It would be so nice if something made sense for a change." Why these miserly provisions that are not in line with what is required? When the experience with the Targeted PDS has shown that faulty exclusion and inclusion abound, and the exclusion is a direct violation of the right to life, why would any serious scholar, policy maker and activist agree to targeting?

There are three '**infeasibility**' arguments against universalisation articulated most strongly by the Planning Commission and the Chief Economic Advisor.

- (1) **Supply constraint:** production and availability of grain is not enough to match the potential demand of a subsidised universal system.
- (2) **Financial constraint:** a universal scheme with subsidised grain is too expensive and unaffordable since the government does not have enough money.
- (3) **Governance constraint:** the PDS is already 'groaning', 'overburdened', 'inefficient', 'costly' and 'corrupt', and expanding it will lead to its imminent collapse.

Let us begin with the 'production' argument. ***The most important point is that neither production nor procurement are rigid or fixed and are both highly responsive to government policy and intervention.*** India is far from reaching the upper limit of either, and the scope for reducing the slack is enormous.

Availability of foodgrain is an essential prerequisite for food security. Unlike what the government proposed in the note

prepared by the food ministry, compulsory procurement and imports are neither necessary nor desirable. For universal entitlements, self sufficiency in food production is necessary at the national level, is highly desirable at the regional level and is beneficial at the local level. Roughly a hundred million tonnes of cereals are required for a universal PDS (with 80 percent off-take and 35 kg per household), which is 57 percent of total production net of seeds and wastage. Currently, procurement is about 30 percent of production. Given the geographically unequal concentration of production and procurement in India, most of this is from 4-5 states. Expanding guaranteed procurement to all states and crops, announcing cost-covering MSP in advance, strengthening the decentralised procurement scheme, building storages and godowns in many more places, giving incentives to local doorstep procurement and making timely payments to farmers are simple measures to increase procurement.

These are of course steps to be taken immediately. In the medium term, it is essential to improve production and productivity of food production through public investment, provision of extension services, inputs at controlled prices, appropriate land use policies with guaranteed fair prices for farmers through a stronger network of geographically dispersed procurement centres. A special package for adivasi farmers and dryland farming will encourage the production of pulses, millets and coarse grains suited to dry and non-irrigated land.

In any case, the ground reality is not of a supply-constrained system but excessive stock-holding! The fact is that the government is once again holding 60 million tonnes, well over the buffer norms. Since perverse fiscal conservatism does not permit its distribution, the holding in excess of storage capacity (roughly 15 million tonnes) is lying in the open, and often rotting even as vast sections go hungry. Since targeting is not going to reduce these stocks, and rabi procurement is likely to be high due to a bumper crop, the bizarre situation of hunger amidst overflowing stocks will persist.

This has caused embarrassment, politically and from the judiciary, prompting the Central government to accept the higher Tendulkar estimates on poverty, and increase APL allocations. ***The current stock and supply situation is more than comfortable, set to improve after rabi. This offers a golden opportunity to argue for universalisation by distributing a minimum quantum of food at affordable prices to larger numbers across the country, and in the process to expand the PDS.*** Those who want to reduce subsidies will of course argue that food stocks should be reduced through open market sales and exports and future procurement should be reduced sharply along with targeting only the poor. This has to be resisted because as far as money is concerned, it is entirely a question of prioritisation.

Compared to many advanced countries, India's tax-GDP ratio is very low (around

18 percent compared to 28 percent for USA and around 45-50 percent for Scandinavian countries). Compare this to the tax foregone by the Central Government on Corporate Income Tax, Personal Income Tax, Excise and Customs at Rs.5,02,299 crores in 2009-10 (79.54 percent of the aggregate tax collection), and Rs.4,14,099 crore in 2008-09 which is 68.59 percent of aggregate tax collection (the budget documents say that this is an underestimation). ***This is over ten times the current food subsidy bill and four times the requirement for a universal PDS with 35 kg per household at an average price of Rs 2 per kg.***

It is the fiscal concern to reduce subsidies that has led to the pricing policy that links the MSP or cost of acquisition to the issue price, to sell the food at some proportion of the economic cost. However, food security has two aspects, production and consumption. Farmers or producers need to cover their cost of production and if farming is to once again become a viable activity, profitability has to be maintained through assured procurement. Consumers on the other hand are constrained by their ability to pay, and prices for them have to meet the yardstick of affordability. If consumer affordability and producer profitability both have to be ensured for food security, the two prices cannot be the same. This rather devious attempt to legally link consumer subsidy to farmer subsidy will open the gate to political conflicts between the two and in many cases where the farmer is also a net purchaser of foodgrain, giving MSP with one hand and taking away through higher food prices with the other.

There is no doubt that the PDS is very weak in some parts of the country. The solution that several government economists offer is to go in for direct cash transfers or food coupons with biometrics and Unique Identification (UID) to plug leakages. Women are considered to be more efficient agents for these transactions due to their patriarchy-driven responsibilities. This ignores the problem of exclusion and inflation. Destroying an admittedly problematic PDS does not put

food on the table. The obvious solutions to inadequacy, inefficiency and corruption are to increase infrastructure, accountability and reform the PDS through various measures. This cannot be used as an argument against the entitlement. After all, massive corruption did not stop the Commonwealth Games or defence deals or large infrastructure projects. A few committees are set up, and the loot goes on unabated, in the "public interest" for "national honour". So why does the fear of corruption only become an effective roadblock for food security? Is there anything honourable about hunger and starvation?

Therefore, neither the fiscal nor the supply nor the governance constraint is operational and an expanded PDS can in fact boost both production and growth and hence government finances. Recently, a rather odd argument against ***desirability*** of universalisation has been attributed to the UPA Chairperson.

(4) Political constraint: it is difficult to explain to the poor why the rich are getting the same.

This is a rather pathetic attempt to concoct an unfounded psycho-social argument, attribute it to the poor and use it to undermine their interests! The poor are not vindictive, perverse or self-destructive. If they get adequate and affordable food, they are unlikely to grudge someone better off getting the same. They know from experience that targeting subsidies in an unequal and hierarchical system creates incentives for the elite to fraudulently garner the benefit, which they do. They know that there are so many people who need food that selecting makes little sense. So it is better to include everyone since the exclusionary system will only work against the poor.

It is therefore time that the NAC and the government stop prevaricating by putting forward specious arguments against a universal bill and instead use the current food stocks and the forthcoming rabi crop as an opportunity for full-fledged food security.



Budget and Policy Tracking

Ria Sinha

The Congress-led United Progressive Alliance faced perhaps the biggest crisis of its second term at the Centre with the Opposition gridlock during the Winter Session of Parliament over the 2G Spectrum scam, which snowballed after the publication of the Comptroller and Auditor General of India (CAG)'s audit report tabled in mid-November 2010. The UPA government's track record of late has been rather dismal what with allegations of massive corruption surrounding the recent Commonwealth Games in Delhi and it facing brickbats over the inability to control food inflation (as onion prices hit the roof)! It has also allegedly failed to distribute the reserves of foodgrains, apparently rotting in FCI godowns, to the swelling population of malnourished children and adults.

This issue of *Budget and Policy Tracking* scans certain significant policy related developments and important legislations during the Winter Session. Apart from briefly discussing some of the bills passed in this session, the article highlights key macroeconomic issues as well as some issues related to governance and accountability. The article begins with summarising the bills passed and pending in Parliament during Winter Session 2010, moves on to examining a few bills related to the social sector in detail, and finally deliberates on policy issues and responses related to governance and accountability.

I. Bills Passed and Pending in Parliament during Winter Session 2010

The Winter Session commenced on November 9 and ended on December 13 without transacting any substantial amount of business. It will probably go down in history as the only session of Parliament to be "washed out" owing to the logjam over the demand for a Joint Parliamentary Committee (JPC) probe into the 2G scam.

Parliament in Winter Session 2010

- **Bills Pending**

The Educational Tribunals Bill, 2010
The Right of Children to Free and Compulsory Education Bill, 2010
The National Council for Teacher Education (Amendment) Bill, 2010
The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010 etc.

- **New Bills Listed for Introduction, Consideration and Passage**

The Companies Bill, 2010
The Judicial Standards and Accountability Bill, 2010
The Juvenile Justice (Care and Protection of Children) Bill, 2010
The Land Acquisition (Amendment) Bill, 2010
The Rehabilitation and Resettlement Bill, 2010 etc.

- **Bills Listed for Introduction**

The Consumer Protection (Amendment) Bill, 2010
The National Council for Higher Education & Research Bill, 2010
The National Identification Authority of India Bill, 2010
The Protection of Women from Sexual Harassment at Workplace Bill, 2010 etc.

- **Bills Listed for Withdrawal**

The Enemy Property Bill, 2010
The Administrative Tribunal (Amendment) Bill, 2010
The Labour Laws Amendment and Miscellaneous Provisions Bill, 2006

Source: PRS Legislative Research Website

The Manmohan Singh government had planned to introduce 24 new bills and withdraw 3 bills¹ but with only 24 sittings, eight new bills were listed for introduction, consideration and passage. As many as 23 bills remained pending for consideration and passage.

II. Bills Related to the Social Sector:

1. The Foreign Educational Institutions (Regulation of Entry and Operations) Bill²

The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, introduced in the Lok Sabha on May 3, 2010 by the Ministry of Human Resource Development, is a crucial legislation relating to higher education. It seeks to regulate the entry and operation of foreign educational institutions seeking to impart higher education, including technical and medical education, and award of degrees and diplomas. Some

possible benefits, as argued by the HRD Ministry are participation of globally renowned universities, skill development, increasing access to innovative areas of studies, and increase in the Gross Enrolment Ratio. The key provisions of the bill include:

- Every foreign educational institution intending to operate in India has to be notified as a foreign educational provider by the Central government on the recommendation of the Registrar (Secretary, University Grants Commission) in the prescribed manner.
- A "foreign educational institution" is defined as any institution established outside India, which has been offering educational services for a minimum of 20 years and proposes to offer courses to be taught through conventional teaching method excluding distant education.



- The programme of study offered by the foreign educational provider has to conform to standards laid down by the statutory authority such as University Grant Commission (UGC), All India Council of Technical Education (AICTE), Medical Council of India (MCI) and the quality in terms of curriculum, methods of teaching and faculty is comparable to that offered to students in the main campus.
- The bill requires foreign educational institutions to maintain a corpus fund of a minimum of Rs.50 crore. A maximum of 75 percent of any income generated from the fund should be utilised for developing its institution in India while the rest should be put back in the fund. The revenue thus generated cannot be invested for any purpose other than development of the educational institution in India. The Central government may exempt any institution from conforming to the requirements of the Bill except the penalty provision and the revenue provision.
- It provides for withdrawal of recognition if any foreign educational provider violates the provisions.
- The bill also lays down norms for the foreign educational institutions conducting certificate courses.

The bill in its current form has invited much criticism. Some protagonists argue that foreign institutions should have limited entry as long as apprehensions over quality of education provided, type of subjects that would be taught, and possibility of faculty moving from Indian institutions are addressed. However, others see it as a step towards further commercialisation of higher education, and the gradual withdrawal of the government from this sector. This would invariably result in widening the gap between the rich and poor in terms of access to quality education.

2. Protection of Women from Sexual Harassment at Workplace Bill³

The Union Cabinet approved the introduction of the Protection of Women

against Sexual Harassment at Workplace Bill on 7th December 2010. The proposed bill seeks to ensure a safe environment for women at workplaces, both in public and private sectors whether organised or unorganised. In the context of the growing violence against women, this bill assumes special significance. It will be the responsibility of the Centre to implement the bill through its undertakings/ establishments and of the state government concerned with regard to every workplace established, owned, controlled or wholly or substantially financed by it, as well as of private sector establishments falling within their territory.

Key features:

- The bill proposes a definition of sexual harassment, as laid down by the Supreme Court. It recognises the promise or threat to a woman's employment prospects or creation of hostile work environment as "sexual harassment" at workplace, and expressly seeks to prohibit such acts.
- The bill provides protection not only to women who are employed but also to any woman who enters the workplace as a client, customer, apprentice, daily waged worker or in an ad-hoc capacity. Students, research scholars in colleges/universities and patients in hospitals too fall under its purview. The bill also covers workplaces in the unorganised sectors.
- It provides for an effective complaints and redressal mechanism. Under the proposed bill, every employer is required to constitute an Internal Complaints Committee.
- Employers who fail to comply with the provisions of the proposed bill will be punishable with a fine which may extend up to Rs. 50,000.
- Since there is a possibility that during the pendency of the inquiry, the woman may be subject to threat and aggression, she has been given the option to seek interim relief in the form of transfer either of her own or the respondent or seek leave from work.

- The Complaint Committees are required to complete the enquiry within 90 days and a period of 60 days has been given to the employer/district officer for implementation of the recommendations of the Committee.
- The bill provides for safeguards in case of false or malicious complaints of sexual harassment. However, mere inability to substantiate the complaint or provide adequate proof would not make the complainant liable for punishment.

Despite being an extremely progressive step towards providing a secure work environment to women, certain concerns remain.⁴ The provision relating to the liability of punishment for those women unable to substantiate their complaints is quite erroneous. Another glaring omission is the exclusion of domestic workers in India from its purview.

III. Policy Responses and Issues related to Governance and Accountability

1. Right to Food Bill:

The UPA government's proposed legislation on Food Security, the draft of which was cleared in the first quarter of 2010, promises to address the problem of millions of people living below the poverty line (BPL) through subsidised grains for the poor. Under the food security act, every poor family would get 25 kg of foodgrains per month at Rs.3 per kg.

In response to the draft bill, the Supreme Court of India had ordered increase in the scale of issue of foodgrains per family per month to 35 kg from 25 kg, which was not taken into consideration by the Empowered Group of Ministers (EGoM) set up on July 12, 2009 to examine various issues relating to the proposed law. The draft bill, prepared by the Department of Food and Public Distribution, has been referred to the Legislative Department of the Ministry of Law and Justice.



Under the new law, the range of food and nutrition related schemes that are currently operational will be merged. At present, the government provides 277 lakh tonnes of foodgrains for below poverty line (BPL) and Antodaya Anna Yojana (AAY) categories, with a subsidy amounting to Rs. 37,000 crore. Under the new act, the government will provide 251 lakh tonnes of foodgrains for BPL and AAY categories, with subsidy amounting to Rs. 40,380 crore (if 25 kg of rice or wheat per month is supplied to each BPL household at Rs 3 per kg). Computerisation of the Targeted Public Distribution System (TPDS) will take place along with the setting up of village grain banks and food security tribunals⁵. At a time when prices of food items and other cereals have spiralled out of the reach of the common people, the significance of a bill of this nature cannot be overstated. However, the draft bill's approach to the notion of food security remains a subject of intense debate.

For many academics and activists, the proposed bill excludes a large section of the population by targeting only those selected as living below the poverty line in India. They argue that the bill does not address the nutritional needs of the people and overlooks the high rates of child malnutrition in the country. It completely ignores the multiple entitlements which constitute the right to food of all ages of people and all sections of society including vulnerable groups. Eminent development economist Jean Dreze⁶ states that the proposed bill remains extremely inconsistent and inadequate. Contrary to popular understanding, the bill is not a radical departure from the present food policies of the government. Dreze also raises serious doubts about the effectiveness of the current PDS. According to him, a targeted PDS is ineffective as it is very difficult to identify BPL families and vouchers for universalisation of the current PDS.

The EGOM on food security, headed by Union Finance Minister Pranab Mukherjee, has held meetings on issues pertaining to identification of BPL families

in consultation with the Planning Commission, the Ministry of Rural Development for rural areas and the Housing and Poverty Alleviation Ministry for urban areas⁷. The draft bill however does not have any provision for Above Poverty Line (APL) families.

Universalising PDS will be critical for ensuring the well-being of the masses. Some have raised concerns regarding the cost implications of universalising PDS but an elementary cost calculation of the same suggests otherwise. Universalising PDS would entail cost estimations beyond the existing practice of food subsidy in the budgets. A CBGA study estimates that an additional Rs. 88,563 crore would be required to supplement the present provisions of food subsidy in the country to ensure food for all. This cost estimation is based on the following assumptions:

- Total number of households at present is 23.96 crore (approx 24 crore) based on size of household as 4.8 (as reported in NFHS-3) with projected population of the country at present at 115 crore.
- Extending provision of PDS to all households would require subsidised foodgrains at 35 kg per month per household at CIP of Rs.3 per kg.
- The minimum support price (MSP) as well as Economic Costs of wheat and rice do not increase from what it is at present i.e., Rs.1, 893.7 per quintal of rice and Rs. 1,402.5 per quintal of wheat.
- Distribution of rice and wheat is in the ratio of 2:1

The study underscores the need for increasing budgetary allocation towards food subsidy. Merely targeting the poorest of the poor instead of universalising PDS reflects a lack of political will of the government to keep its promise to feed the hungry.

Despite rapid economic growth and various government programmes over the past two decades, India's malnutrition figures are not coming down. In fact, the ranks of the hungry seem to be growing. Experts in the field have time and again

suggested revamping of the public distribution system and greater public investment in the rural economy to address the basic needs of the population. Various studies have shown that food insecurity is very high in the rural areas, more so in the backward states. Self-sufficiency may have increased at the national level but even in the relatively well-off states, this has not percolated down to the household level.

At present, the proposed right to food legislation has gone back to the drawing board, with the government considering widening the ambit of the PDS. As and when such a law does come to pass, the government must bring about PDS reforms and broaden the network of fair price shops across the country to ensure that the principles of transparency and accountability work at every level.

2. Lack of Effective Governance: The 2G Spectrum Scam

The reputation of the UPA government took a serious beating during the Winter Session with allegations of widespread corruption pertaining to the Commonwealth Games, followed by the Adarsh Housing society scam in Mumbai and finally the Second Generation (2G) Spectrum exposé. The 2G Spectrum taps the airwaves providing second generation wireless telephone technology. This is a scarce asset, whose license should be provided in a judicious manner with proper valuation. However, licenses were issued at very cheap rates which created a huge economic burden on the national exchequer. This led to the resignation of the IT and Communications Minister A. Raja, with CAG holding him personally responsible for the sale of 2G Spectrum licences at rates that "appeared far below what has been perceived to be the appropriate market price in 2008", resulting in a loss of up to Rs 1.70 lakh crore to the national exchequer.

An audit was conducted by CAG during January 2010 to September 2010 covering the period from 2003-04 to 2009-10⁸. It covered the implementation of policy for Unified Access Licensing Regime and



allocation procedure for 2G Spectrum to new as well as existing operators under the Unified Access Services (UAS). The Unified Access Licensing Regime endorsed by the Union Cabinet for fixed line and mobile telephone services in November 2003, had faced huge criticism by the cellular operators. Under the new regime, service providers are allowed to offer both mobile and fixed services under one license after paying the additional entry fee. This had restricted the scope to fixed and mobile services, thereby excluding national and international long distance services. The major responsibility of the telecom department is to regulate the issue of licenses in a fair and judicious manner under the new scheme.

The basic objective of the CAG audit was to ascertain whether the policy for issue of license under UAS was implemented efficiently along with fair and transparent allocation of radio frequency spectrum and whether the telecom sector was capable of generating a sufficient amount of revenue for the government.

Findings of the CAG Report:

- Implementation of UAS licensing regime was to be carried out in two phases with the first phase of six months assigned for migration of already existing Basic Service Operators (BSOs) and Cellular Mobile Service Operators (CMSOs) to the new regime. The audit revealed that the Department of Telecom (DoT) did not implement the licensing regime as approved by the Cabinet, implementing only the first phase and overlooking the second. Hence, it was extremely erroneous to value the spectrum in 2008 at 2001 prices that was based on a totally nascent market despite the sector witnessing substantial transformation and manifold growth, since then.
- Scrutiny of records indicated that the High Powered Telecom Commission, which also includes members from the Union Ministries of Finance, Industry, IT and the Planning Commission, was not consulted to deliberate on the merits of the

Telecom Regulatory Authority of India (TRAI) recommendations or at the time of grant of 122 UAS licenses in 2008.

- The views and concerns of the Finance Ministry regarding the issue of spectrum pricing was strongly overruled.
- DoT had previously requested the Ministry of Law and Justice to communicate the opinion of the Attorney General/Solicitor General of India to enable it to handle an unprecedented rush of applications in a fair and equitable manner. The Ministry had in turn stressed on setting up of an EGoM but DoT totally ignored those suggestions.
- The recommendations and suggestions of the Prime Minister regarding the unprecedented number of applications received for fresh licenses and spectrum pricing through a fair and transparent method of auction for revision of entry fee were also not followed.
- DoT deviated from the First Come First Served (FCFS) policy previously adopted for allocation of spectrum extended for issue of new UAS licenses.
- Apart from these inconsistencies, the process followed by DoT for verification of applications for UAS licenses for confirming their eligibility lacked fairness and transparency, thereby leading to grant of licenses to applicants who were not eligible.

The financial impact of this scam was enormous. TRAI in August 2007, while recommending that 2G Spectrum should not be auctioned opined that “in today’s dynamism and unprecedented growth of telecom sector, the entry fee determined in 2001 is also not the realistic price for obtaining a license. Perhaps it needs to be reassessed through a market mechanism”⁹. In fact, there are varied determinants like scarcity value, the nature of competition, business plans envisaged, time of entry, purchasing power of the people, growth of the economy etc. which together along with market forces determine the value of the spectrum. As a consequence, the 2G

Spectrum was grossly underpriced. While the government made a huge profit from auctioning of the 3G Spectrum, it suffered a gigantic loss of nearly Rs. 1.70 lakh crore due to undervaluation of the 2G spectrum.

3. Introduction of Budget Manual by Ministry of Finance

Recognising the fact that the Union Budget is a voluminous document which people often find difficult to comprehend, the Government of India has for the very first time brought out a Budget Manual to serve as a “crucial tool for Public Finance Management”¹⁰. It is a comprehensive document which captures the content of the Union Budget as well as the procedures and activities connected with its preparation. Budget, being a very complicated issue, the processes and guidelines have been simplified and put in a logical sequence for easy comprehension.

The manual, prepared by the Budget Division of the Department of Economic Affairs, disentangles the detailed processes involved in the entire process of budget preparation. It is also expected to bring about greater transparency and better understanding about procedures and systems relating to making of Union Budget. It is expected to provide deeper understanding to the officials of ministries/departments of their roles and responsibilities with respect to preparation of documents and statements included in the budget. It is also expected to serve as a guidebook for uniform administration of budgeting procedures and practices in the Union government, including the line ministries and departments.

The manual gives a lucid definition of the term ‘Budget’ and its scope. It explains the importance of government budget in the optimal allocation of the scarce resources taking into consideration the socio-economic objectives of any government. It assists the government in predetermining its fiscal policies in sync with the various development goals. Hence, it provides a guideline both for the present and the future.



The manual mentions the important constitutional provisions such as the Annual Financial Statement, Appropriation Bills, Supplementary, Additional or Excess Grants, Consolidated and Contingency Fund, the role of the Finance Commission, Audit Reports, and Money Bills related to the Union Budget. It explains various organisational aspects such as the roles and responsibilities of the Executive and the Legislature in the budget preparation and presentation, the significant role of the Parliament (both the Lok Sabha and the Rajya Sabha), the processes of Budget presentation, the presentation of the Detailed Demand for Grants etc., the different types of cut motions to reduce the number of demands on any particular topic.

It also deals with expenditure issues governed by the Department of Expenditure. The role of the department is to create a more pro-active and positive interface between the Finance Ministry and the other ministries/agencies of the government. The different divisions of the department such as the plan finance divisions have been entrusted with different responsibilities related to the budget making processes.

The Budget Manual also explains the crucial role of the Planning Commission in the budgetary processes and the public finances of the country. The Planning Commission, besides formulating and monitoring development plans, advises the Union government on the desirable transfer of resources to the states, essential for development outlays. Banking being the core sector of financial development, the manual explains the pivotal role and responsibilities of the Reserve Bank of India in controlling the economy.

The most intricate chapter in the manual is the budget making process related to budget preparation, budget circular, responsibilities of budget division etc. It states the critical responsibilities of the departments concerned in the budget-making process and in maintaining the secrecy of the budget documents. It

explains the several documents related to the prepared budget such as Key to Budget documents, Budget Highlight, Budget Speech, Budget at a Glance, Annual Financial Statement, Finance Bill, Receipt and Expenditure Budget etc. Budget Reporting and evaluation forms an integral part of the budget manual. It also explains the key documents – the medium term fiscal policy statement, fiscal policy strategy statement and the macroeconomic framework statement, which are customarily laid down before both houses of Parliament.

4. Reforms in the Taxation Sector (Direct Taxes)

As part of its ongoing tax reforms aimed at making the taxation regime more transparent and predictable, the government is slated to roll out the new Direct Taxes Code (DTC) by April 2012. The new Code, which was initially released by the Finance Minister in August 2009 and subsequently, with some revisions in June 2010, envisages far-reaching changes in the tax system. The chief proposal in the DTC is to increase the government revenue through better tax compliance and plugging of tax leakages. Many changes have been proposed relating to income tax and corporate tax rates, with the latter expected to be brought down further. Several reforms have been proposed with regard to increasing the effectiveness of the tax administration and CAG has conducted an audit on the performance of “The Appeal Process” of the Tax Department¹¹.

The main objective of this audit was to enable the department to contain the inventory of appeals to a manageable level by rationalising the workload of its officers at different levels, thereby enabling speedy resolution of tax disputes. It has been universally accepted that litigation is not only costly and time consuming but also destructive of cooperative relationships between the tax department and the taxpayer.

Some of the major observations made in the CAG report are:

- Appeals pending at the end of the year are increasing over time. In fact, the average time taken by the department to dispose appeals has been quite high in India (14 months) compared to other countries. It has recommended that small taxpayers' disputes be settled by the department separately through an alternate dispute resolution mechanism and strict administrative measures, taken up wherever necessary. This would speed up the process of dissolution of disputes.
- As recommended by the Vijay Kelkar Committee, the department should release annual information on the performance of officers as a confidence building measure.
- Another issue addressed by the audit was the level of satisfaction provided to the taxpayers and the department at various levels of appeals. The audit used a satisfaction index as a parameter to evaluate the achievement of this goal. It was found that overall success rate achieved by the department at various levels of appeals was low and appeals decidedly went in favour of the taxpayers. On the issue of effectiveness of internal controls, the audit recommended that a system for periodic reconciliation of data be instituted along with timely collection of appellate orders to stem the delays in implementation processes.

5. Mid-Term Appraisal of the Eleventh Five Year Plan and Inclusion of Civil Society in Preparation of the 12th Plan

The Mid-Term Appraisal (MTA) of the Eleventh Five Year Plan¹² reviews the experience in the first three years of the Plan period and seeks to identify areas where corrective steps may be needed. It deals with the various macro issues related to industry, agriculture and governance as well as issues related to the social sectors like education, health, social justice, special area programmes and rural development. Infrastructure related to energy, transport, telecommunications etc. have also been reviewed and emphasis laid on sectors such



as science and technology, water resources, environment and forests.

The Eleventh Plan had aimed at an average growth rate of 9 percent per annum, beginning with 8.5 percent growth in the first year and accelerating to 10 percent in the last year. Though the economy exceeded expectations in the first year of the Plan (2007-08) with a growth rate of over 9 per cent, the momentum was interrupted in 2008-09 by the global economic recession. Thereafter, the government took several fiscal and monetary measures to revive the economy. The agriculture sector suffered a setback due to drought conditions which had an inflationary impact on the prices of foodgrains. MTA particularly stresses on the resilient nature of the Indian economy, pointing to the relatively modest slowdown during the recessionary period despite the exceptionally sharp contraction in output in the developed economies. One of the primary reasons for this may be the less dependence on exports as compared to other economies. Second, the level of private savings has been high and fiscal consolidation in previous years has improved the public savings performance. As a result, the domestic savings rate that

had increased to 36.4 percent of GDP in 2007-08 declined to 32.5 percent in 2008-09 because of the adverse effect of the crisis on tax revenues coupled with the fiscal stimulus. Despite the crisis, FDI flows (which exclude FII inflows) have been quite good and the estimated FDI inflow in 2009-10 was Rs.1,206 billion

However, MTA found weaknesses in infrastructure, particularly in the energy and transport sectors, which have in the medium term been the most important constraints in terms of growth of the economy. The first three years of the Plan witnessed a commendable increase in the total investment in infrastructure. Railways steadily expanded freight and passenger business, but a lot more needs to be done, it noted. It also found that lack of proper governance to be a major constraint in implementation of various government schemes and programmes.

The Appraisal has also thrown up certain issues for future consideration that includes the management of scarce resources such as water, issues related to integrated energy policy, changes in climate which result in serious adverse consequences in different parts of the world.

The Twelfth Five Year Plan is slated to commence in 2012-13. Generally, before the plan targets are set, the Planning Commission prepares an Approach Paper which lays out the major targets, the key challenges in meeting them, and the broad approach that must be followed to achieve the stated objectives.

In a move towards a more inclusive and participative approach, the Commission has now decided that the Approach Paper will be evolved through a consultative process in which civil society can also participate.¹³ The goal of the Approach Paper¹⁴ is to achieve faster, sustainable and more inclusive growth. Macroeconomic indicators like GDP growth, savings, investment, balance of payments, resources and a sustainable environment that address the issues of climate change, energy, water, land and forest resources will play a critical role. The contributions to the Approach Paper were invited through the website of the Planning Commission (www.planningcommission.gov.in) as well as the formal processes of holding consultations with civil society groups, think-tanks and NGO activists.

¹ Parliament Session Alert, Winter Session: November 09-December 13, PRS Legislative Research, 2010.

² The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, PRS Legislative Research, 2010.

³ The Protection of Women against sexual harassment at workplace Bill, 2007, available at <http://wcd.nic.in/protshbill2007.htm>.

⁴ Cited by Farah Naqvi, Hindusthan Times, available at <http://www.hindustantimes.com/The-last-to-know/H1-Article1-630108.aspx>.

⁵ D.O.No.8-27/2009-BP-III, Concept Note, Government of India, Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, 4th June, 2009.

⁶ 'The middle class has lost track of how poor this country is', Tehelka Magazine, Vol 7, Issue 44, Dated November 06, 2010. Retrieved on December 1, 2010 from file:///H:/Budget%20Track/Right%20to%20Food/Tehelka%20%20India's%20 Independent%20Weekly%20News%20Magazine.htm.

⁷ Note for Empowered Group Of Ministers (EGOM), No.11-12/2009-IC/NFSA, Government of India, Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution.

⁸ Comptroller and Auditor General of India, Report No. 19-Performance Audit of Issue of Licenses and Allocation of 2G Spectrum, Department of Telecommunications, Ministry of Communications and Information Technology, available at www.cag.gov.in.

⁹ Comptroller and Auditor General of India, Report No. 19-Performance Audit of Issue of Licenses and Allocation of 2G Spectrum, Department of Telecommunications, Ministry of Communications and Information Technology, Financial Impact, page no. 51.

¹⁰ Govt. of India, Budget Manual, Ministry of Finance, Department of Economic Affairs, Budget Division, New Delhi, 2010.

¹¹ Comptroller and Auditor General of India, Report No. 20- Performance Audit of The Appeal Process, available at www.cag.gov.in.

¹² Govt. of India, Mid Term Appraisal for Eleventh Five Year Plan 2007-2012, Planning Commission, New Delhi.

¹³ Decision taken at a workshop on 19th June, 2010, under the Chairmanship of Dr. Montek Singh Ahluwalia.

¹⁴ Approach to the Twelfth Five Year Plan, Planning Commission, Govt. of India.



Budgetary Investments towards Food Subsidies in India – A Factsheet

Table 1: Total Subsidy given in the Union Budget since 2004-05 (in Rs. Crore)

Items/Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 RE	2010-11 BE
A- Major Subsidies	44753	44480	53495	67498	123581	124786	109092
Food Subsidy	25798	23077	24014	31328	43751	56002	55578
Indigenous (Urea) Subsidies	10243	10653	12650	12950	17696	14080	15981
Imported (Urea) Subsidies	494	1211	3274	6606	10079	3948	5500
Sale of decontrolled fertilizer with concession to farmers	5142	6596	10298	12934	48555	34952	28500
Total Fertiliser Subsidy	15879	18460	26222	32490	76330	52980	49981
Petroleum Subsidy	2956	2683	2699	2820	2852	14954	3108
Grants to NAFED for MIS/PPS	120	260	560	860	375	850	425
Other Subsidies	1204	3042	3630	3428	6127	6239	7132
Import/Export of sugar, Edible Oils etc	0	0	0	0	0	0	0
Interest Subsidies	564	2177	2809	2311	3493	2719	4416
Other Subsidies	640	865	821	1117	2634	3520	2716
Total Subsidies	45957	47522	57125	70926	129708	131025	116224
Total Union Govt. Expenditure	498252	505738	583387	712679	883956	1021547	1108749
GDP at Market Price	3239224	3706473	4283979	4947857	5574449	6164178	6934700
Total Subsidies as proportion to GDP (%)	1.42	1.28	1.33	1.43	2.33	2.13	1.68
Total Subsidies as Proportion to Total Union Govt. Government Expenditure (%)	9.22	9.40	9.79	9.95	14.67	12.83	10.48

Note: RE-Revised Estimate, BE-Budget Estimate

Source: Compiled by Centre for Budget and Governance Accountability from Expenditure Budget Volume I, Union Budget 2010-2011.

**Table 2: Combined Expenditure on Food Subsidy (Explicit) in India (in Rs. Crore)**

Year	Subsidy to FCI (Rs. in Cr.)	Food Subsidy by the States (Rs. In Cr.)	Total Food Subsidy (Rs. In Cr.)	Total Food Subsidy as % of Total Combined Expenditure	Total Food Subsidy as % of GDP
1990-91	2450	42	2492	1.6	0.4
1995-96	5377	338	5715	1.9	0.5
1996-97	6066	355	6421	2.0	0.5
1997-98	7500	408	7908	2.1	0.5
1998-99	8700	309	9009	2.0	0.5
1999-2000	9435	512	9947	1.9	0.5
2000-01	12060	493	12553	2.3	0.6
2001-02	17499	403	17902	2.9	0.8
2002-03	24176	618	24794	3.7	1.0
2003-04	25160	753	25913	3.4	0.9
2004-05	23280	1199	24479	3.0	0.8
2005-06	23077	1163	24240	2.6	0.7
2006-07	24014	1120	25134	2.3	0.6
2007-08	31328	1380	32708	2.6	0.7
2008-09 RE	43627	1979	45606	2.9	0.8
2009-10 BE	52490	2598	55088	3.1	0.9
2010-11 BE	55578	NA	55578	NA	NA

Notes: RE-Revised Estimate, BE-Budget Estimate, NA-Not Available

This includes budgetary expenditure by Centre and States.

Source: Compiled by Centre for Budget and Governance Accountability from Expenditure Budget Vol.-I, 2010-11 and Budget At a Glance, 2010-11, GoI; Indian Public Finance Statistics, Ministry of Finance, GoI, Various years; Economic Survey, 2009-10.

Prepared by: **Nilachala Acharya**

