

# **Food Assistance Programmes and Their Role in Alleviating Poverty & Hunger in India**

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# Contents

## Executive Summary

1 Inter-relationship between poverty and hunger.....	4
2 Food Assistance Programmes in India.....	7
2.1 TPDS.....	8
2.2 Food for work & SJRY.....	11
2.2.1 Learning from the mistakes of JRY/EAS.....	13
2.3 ICDS.....	16
2.4 MDM.....	18
2.5 BMS & PMGY.....	19
2.5.1 PMGY.....	19
2.6 Annapurna.....	20
2.7 Antyodaya.....	20
3 Administration vs. PRIs – who should implement food based schemes?.....	21
4 Improving governance.....	25
5 Measures for improving food economy.....	27
6 Summing up.....	29
7 Abbreviations.....	30

## **Executive Summary**

Although foodgrain production in India has gone up in the 1990s from 175 million tonnes to 206 million tonnes, the growth rate in availability of foodgrains per capita has come down to (-) 0.28% per annum in the same period. This should be compared to a growth rate in per capita availability of (+) 1.20% per annum during the 1980s. Further, the food consumption of the poor in India has gone down in the last 10 years (and is 21% below as compared to per capita consumption of the top 10%). This is a very serious matter taking huge public stock of foodgrains into account. There is a strong case for using these stocks for reducing rampant malnutrition among the vulnerable sections of the society.

Despite hefty increase in the annual food subsidy from Rs 2,450 crores in 1990-91 to Rs 13,675 crores in 2001-02, all is not well with Targeted Public Distribution System and other food based schemes in India. These suffer from problems of illegal diversion and black-market, selling of subsidised foodstuffs, a minimum purchase requirement that acts to exclude the poor, weak monitoring, lack of transparency and inadequate accountability in management. There is 36% diversion of wheat, 31% diversion of rice and 23% diversion of sugar from TPDS at the national level. The scheme does not seem to be working in the poorest North and North-Eastern States. The allocation of poorer States such as UP, Bihar and Assam got more than doubled, as a result of shifting to TPDS, yet due to poor off-take by the States and even poorer actual lifting by the BPL families, the scheme has not made any impact on the nutrition levels in these States.

There is lack of infrastructure and shortage of funds with government organisations in most States except the few in West and South. Adequate infrastructural capacity, in addition to funds, should be ensured at the district and block levels, otherwise wasting scarce resources through leakages helps only contractors and corrupt Government staff, and does not in any way help the poor. Better implementation of ICDS, MDM, Food for Work, and Antyodaya/Annapurna will take care of every age group among the poor.

The challenge is to reduce foodstocks to roughly half its present level and use it for reducing malnutrition, without adversely affecting the food security. This would need several legal and policy changes, which would make markets less distorted than these are at present.

To take full advantage of a common market, there is a need for a Central Act to ban controls and restrictions on all kinds of trade in agricultural commodities within the country. While it would be expedient to continue with support price for agricultural produce like wheat, paddy, cotton, etc., the need to abolish or phase out levy or monopoly purchase should be considered. Levy acts as a tax on the processors which is then passed on to the producers/consumers. Government should buy rice for its public distribution system through an open tender system. One should remove licensing controls on Roller Flour Mills and other food processing industry in the States. Essential Commodities Act should be scrapped at an early date. At least, wheat, rice and sugar should immediately be taken out of its purview.

Lastly, poor governance is at the root of many ills associated with food administration, as well as other programmes for the poor. More transparency and better accountability combined with more effective supervision may help in improving performance of these schemes.

# 1 Inter-relationship between poverty and hunger

Poverty, food insecurity, malnutrition, and hunger are inter-related concepts. Poverty is an extremely complex phenomenon, which manifests itself in a dense range of overlapping and interwoven economic, political and social deprivations. These include assetlessness, low income levels, hunger, poor health, insecurity, physical and psychological hardship, social exclusion, degradation and discrimination, and political powerlessness and disarticulation. Therefore, policy instruments should be designed to address not only the low income and consumption aspect of poverty, but also the larger and complex social dimensions, and of the aspirations of the poor.

Indian poverty is predominantly rural, where landless labourers and casual workers are the worst-off economic group. Among the social category, scheduled castes and tribes, women and female-headed families, old people, and female children face more deprivation than others. The rural poor are primarily those with limited ownership of assets – including land. The vast majority of the rural poor in India are engaged in agriculture (including fishery and livestock) either as agricultural wage labourers or marginal farmers and self-employed. The urban poor are characterised by extremely poor living conditions – in slums, or often on the road itself. They are generally first generation migrants with no security of jobs or house.

It is estimated that one-third of the world's poor reside in India, and there are more poor people in India than even in all of Sub-Saharan Africa. Although official estimates of the Government of India says that only every fourth Indian is poor, according to the estimates of internationally recognised poverty line of dollar a day, 44% persons in India are poor, and 86% people earn less than 2 \$ a day. Even official data indicates that two out of three children are malnourished or under-nourished.

Poverty in India is officially measured in terms of calorie consumption. The poverty line is the monthly per capita expenditure in 1973-74 all-India prices of Rs 49 in rural areas and Rs 57 in urban areas, with people below this expenditure considered poor. In 1999-00 this corresponded to an average per capita expenditure of Rs 328 for rural areas and Rs 454 for urban areas per month. These expenditures correspond to a total household expenditure estimated as sufficient to provide 2400 calories daily in rural areas and 2100 calories daily in urban areas, plus some basic non-food items. Therefore, in a way, when we quantify poverty in India, essentially we are measuring consumption of food, although steps needed to tackle poverty have to go beyond providing food assistance. Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. A distinction has been made between chronic and transitory food insecurity, which require very different policy responses, and greater attention to problems of risk and vulnerability. Food insecurity is not the same as hunger. It is a much wider problem. Hunger is, of course, one of the main aspects of food security.

According to National Sample Survey, people who did not have two square meals in a day in India constituted 19 per cent of total rural population in 1983 and were reduced to 7 per cent in 1993. Even while recognising difficulties in interpreting meaning of 'square meal' – basically, a culturally, socially and psychologically determined notion – one can safely assume that stark hunger is still a worrying phenomenon in a country that boasts of 61.96 million tonnes of foodgrains available with the government agencies as on 1-7-2001, constituted of

22.75 million tonnes of rice and 38.92 million tonnes of wheat.

Malnutrition is however much more widespread than hunger. Over 207 million people in India were undernourished in 1996-8 with lack of inadequate access to enough food to meet their basic nutritional needs. National Family Health Survey (NFHS-2) of 1998-9 has shown that malnutrition, especially in children is still widely prevalent. India has 20 per cent of the world's children but 40 per cent of its malnourished children; 30 per cent children have birth weight less than 2.5 kg and 53 per cent children below 5 years are underweight. About half of the women in the age group of 15-49 years and three-fourth of the children have been found to be anaemic. It may be relevant to note that the prevalence of malnutrition is not only on account of lack of access to food but has also to do with the deficiency of safe drinking water, sanitation, environmental hygiene, primary health care and awareness. The problem of hunger, nutrition and food security is thus related to the whole process of development. All other things remaining the same, higher level of malnutrition would lead to higher burden of disease in a society, and vice versa. For example, in general, malnourished children have a significantly higher incidence of diarrhoeal diseases, even after controlling for adverse social, economic and environmental factors. Similarly, morbidity associated with acute respiratory infections (ARI) among children is systematically associated with malnutrition. Malnourished children with severe ARI have a mortality risk two or three times higher than that of healthy children.

There is enough literature on relative merits of different types of indicators, in particular the difference between measures of undernourishment (caloric consumption) and anthropometric measures (body mass index, stunting, wasting etc.) Anthropometric measures are a very useful tool in measuring nutritional status. No single indicator can provide a complete picture of food insecurity, and that a variety of different indicators should be used in analysing different aspects of the problem.

Cereals contribute over 80 per cent of the calories of people in the lowest income segment, decreasing to about 50 per cent as we move up the income curve. Of late, food consumption basket is getting diversified in favour of non-foodgrain items, viz., vegetables, milk and milk products and meat, egg and fish. The consumption of these items is however very small compared to ICMR norms and income increases could make people consume more of these items resulting in improved overall nutrition.

The question of hunger needs to be viewed in a framework of food insecurity which covers the following dimensions: (1) availability of food—to meet demands of growing population and changing dietary needs; (2) access to food, which is a function of purchasing power, sustainable livelihoods and employment opportunities and also entitlement to subsidized schemes; (3) absorption and utilization of food, which is a function of access to clean drinking water, environmental hygiene and primary health care and nutrition practices; (4) vulnerability, which covers external factors affecting food security, viz., natural and man made disasters; and (5) sustainability which involves attention to the conservation and enhancement of natural resources like land, water, forests and biodiversity.

Tackling hunger should be given first priority in strategies to reduce poverty. Traditional focus on increasing food production is not sufficient, and that new approaches must be found to increase consumption. It is possible to reduce the numbers of the poor (i.e. the headcount ratio) without assisting hungry people, who experience the deepest poverty. Malnutrition has a negative impact on labour productivity, and that the hungry often cannot take advantage of gainful employment opportunities. Anti-poverty programmes that are based on labour intensive

activities and income generation may therefore be of little benefit to the hungry. Furthermore, there is evidence that hunger and malnutrition affect school performance and learning capacity. Education is often a key element of poverty reduction strategies, but may be of little benefit where children are hungry and malnourished. Hunger can thus be a cause as well as a result of poverty. It is a cause of poverty for certain groups, whose productivity and learning capacity is impaired by hunger. In these cases hunger must be confronted first before poverty reduction strategies can be effective. This paper examines the various food assistance schemes of GOI in the framework of overall food economy of India.

Macro-figures of overall food consumption are not available in India. However, availability, defined as  $87.5\%$  of production + imports - exports + changes in government stocks, can be taken as a good approximation for studying changes in consumption. While the growth rate in availability of foodgrains per capita was  $1.20$  per cent per annum during the 1980s the growth rate has come down to minus  $0.28$  per cent per annum during the 1990s. Despite the fact that cereal consumption of the rural poor in India has gone down in the last ten years (and is  $21$  percent below as compared to per capita consumption of the top  $10$  percent ), the level of foodgrains stock with the FCI has been increasing, signifying lack of purchasing power with the poor, and distorted food security policy. It is painful to note that with  $60$  million tonnes of foodgrains in the FCI godowns more than half of the children  $1-5$  years old in rural areas are under-nourished, with girl children suffering even more severe malnutrition.

## 2 Food Assistance Programmes in India

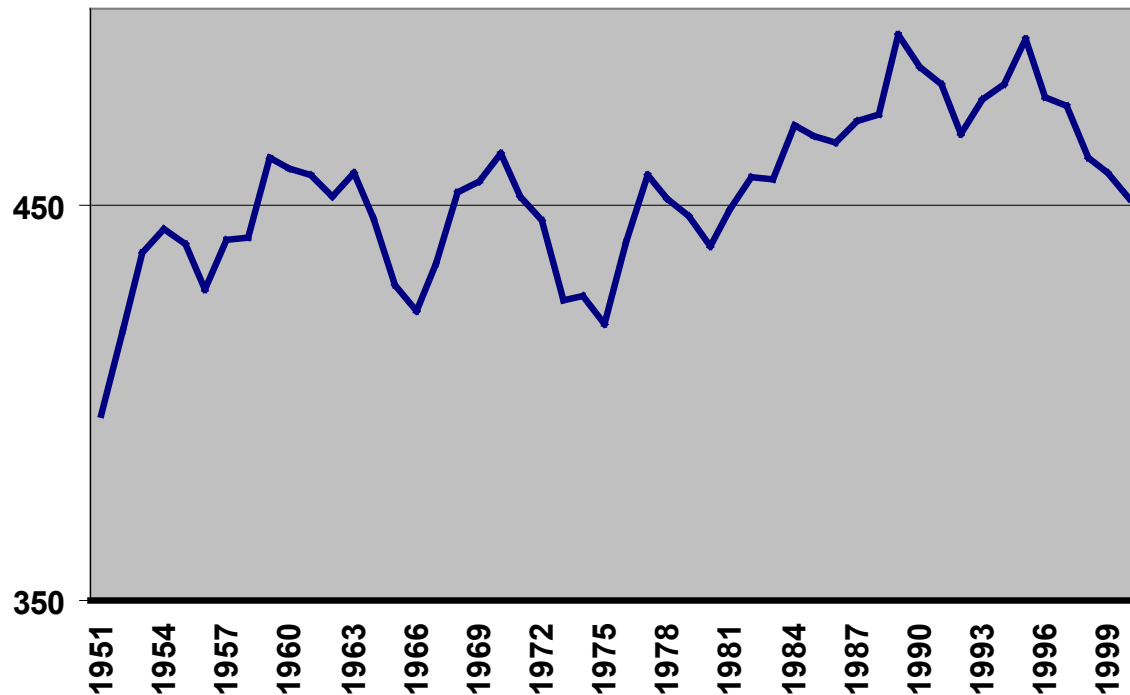
The objective of giving priority to the issue of access of the poor to foodgrains is important for two reasons. Firstly, as already stated, despite the fact that the growth of foodgrain production in the period 1989-2000 was lower than the increase in population during the same period, procurement has been going up, which is suggestive of a decline in people's consumption or the purchasing power of the poor. This may have happened because of the structural imbalances (rising capital intensity, lack of land reforms, failure of poverty alleviation programmes, growing disparity between towns and villages, etc.) created in the economy, as well as due to production problems in less endowed regions, which has led to a dangerous situation of huge surplus in FCI godowns coupled with widespread hunger. Therefore it is as important to correct these policy imbalances as to increase food production. Secondly, if consumption of the poor does not increase there would be serious demand constraints on agriculture, making the growth target of 4.5% per annum for the 10th Plan unachievable.

The following are some of the schemes being run by Government of India to provide food assistance to the poor:

- Targeted Public Distribution System (TPDS) & Public Distribution System (PDS)
- Food for work
- Mid-day Meal Programme
- ICDS (Integrated Child Development Scheme)
- Pradhan Mantri's Gramodaya Yojana
- Annapurna
- Antyodaya

Besides, food assistance is often associated with wage labour generating programmes, such as in the forestry sector, or in Employment Assurance Scheme (EAS). There may also be state-run schemes, although the funds involved in such schemes is negligible as compared to the GOI funded schemes. We discuss below the implementation of these schemes.

## Per Capita Net Availability of Cereals and Pulses Per Day in grams



### 2.1 TPDS

With a network of more than 4.62 lakh Fair Price Shops (FPS) distributing annually commodities worth more than Rs 30,000 crore, to about 16 crore families, the PDS in India is perhaps the largest distribution network of its type in the world. This huge network can play a more meaningful role only if the system translates the macro level self-sufficiency in foodgrains achieved by the country into micro level, i.e. by ensuring availability of food for the poor households.

The importance of an effective mechanism that ensures availability of food at affordable prices at household level for the poor can hardly be over emphasised. The PDS as it stood earlier, was however widely criticised for its failure to serve the population below the poverty line, its urban bias, negligible coverage in the states with the highest concentration of the rural poor and lack of transparent and accountable arrangements for delivery. Realising this, during the Ninth Plan period, the government streamlined the PDS, by issuing special cards to families Below Poverty Line (BPL) and selling foodgrains under PDS to them at specially subsidised prices with effect from June 1997.

Under the new scheme, viz., the Targeted Public Distribution System (TPDS) each poor family is entitled to 10 kgs of foodgrains per month (20 kg w.e.f April 2000) at specially subsidised prices. The identification of the poor is done by the states as per the state-wise poverty estimates of the Planning Commission. As the Planning Commission estimates the percentage of the poor people for each state, obviously their number would increase with the increase in overall population. The number of BPL families has increased w.e.f. 1.12.2000 by shifting the base to the population projections of the Registrar General as on 1.3.2000 instead of the earlier population projection of 1995. The change has resulted in increasing the number of BPL families to 652 lakh as against 596 lakh families originally estimated when TPDS was introduced in June, 1997. The increased level of allocation of foodgrains for



BPL category is about 147 lakh tonnes per annum.

In order to reduce excess stocks lying with the Food Corporation of India, Government have recently initiated the following measures under the TPDS w.e.f. 12.7.2001:

1. The BPL allocation of foodgrains has been increased from 20 kgs. to 25 kgs. per family per month w.e.f. July, 2001, the CIP for BPL families at Rs 4.15 per kg. for wheat and Rs 5.65 per kg. for rice is 48% of the economic cost.
2. The Government has decided to allocate foodgrains to APL families at the discounted rate of 70% of the economic cost. The CIP of APL wheat which was at Rs 830 per quintal has been reduced to Rs 610 per quintal and CIP of APL rice which was at Rs 1130 per quintal has been reduced to Rs 830 per quintal. Further, under the Antyodaya Anna Yojana, 25 kgs. of foodgrain are provided to the poorest of the poor families at a highly subsidised rate of Rs 2 per kg. for wheat and Rs 3 per kg. for rice. It also needs to be mentioned that the Public Distribution System (Control) Order 2001 has been promulgated which seeks to plug the loopholes in the PDS and make it more efficient and effective.

The annual food subsidy involved in maintaining the system is huge. For the year 2001-02 an amount of Rs 13675 crore is proposed to be spent on food subsidy according to the budget estimates. The level of food subsidies in India as a proportion of total government expenditure has gone up from a level of about 2.5 percent or below during the beginning of the 1990s to more than 3.6 percent today.

Despite hefty increase in the annual food subsidy, all is not well with the targeted Public Distribution System (TPDS) in India. There is 36 percent diversion of wheat, 31 percent diversion of rice and 23 percent diversion of sugar from the system at the national level. TPDS does not seem to be working in the poorest north and north-eastern states. The allocation of poorer states such as UP, Bihar and Assam was more than doubled, as a result of shifting to TPDS in 1997, yet due to poor off-take by the states and even poorer actual lifting by the BPL families, the scheme has not made any impact on the nutrition levels in these states.

There is lack of infrastructure and shortage of funds with government parastatals in most states except the few in west and south. Even when the quota for the poor was doubled to 20 kg per household per month in April, 2000, figures showed that only 54 percent of the subsidised foodgrain was picked up by the states, leaving several million tons unlifted.

Some other problems associated with the scheme besides illegal diversion are:

- The poor do not have cash to buy 20 kg at a time, and often they are not permitted to buy in instalments.
- Low quality of foodgrains – A World Bank report (June 2000) states that half the stock of FCI is at least two years old, 30% between 2 to 4 years old, and some grain as old as 16 years.
- Weak monitoring, lack of transparency and inadequate accountability of officials implementing the scheme
- Price charged exceeds the official price by 10 to 14%

The quality of foodgrain supplied through the PDS also leaves much to be desired. The problem has arisen partly due to relaxed specification of quality while procurements are made. Such relaxation need to be avoided in the future in the interests of a well managed public distribution system. If any state government requests for relaxation

of quality norms, this should be invariably accompanied by an appropriate price reduction besides exemption from statutory state levies. When the monthly quota supplied to the poor families under TPDS is 25 kgs, it is evident that the poor families will not have the economic capacity to buy their full monthly quota of foodgrain in one go. The least that can be expected in this regard is that delivery system permits the poor to buy their rations at least on a weekly basis. The issue has been addressed in Public Distribution System (Control) Order 2001. At the same time the FPS should be permitted to sell all commodities (other than rice and wheat) at full market prices through PDS outlets so as to ensure their economic viability. This is easier said than done, as most shopkeepers have been appointed on patronage basis, with little proven qualities of enterprise. The PDS shopkeepers are manipulators, not entrepreneurs. It would have been better to give these shops to already well established shops, than to relatives of politicians or those who can bribe the decision makers.

## **Delivery System For PDS in Bihar**

- Dealership and even membership of vigilance committees are seen as positions where money can be made.
- The procedure to appoint these is highly politicised, and mostly clients of MLAs are appointed.
- Sub-district infrastructure to handle foodgrains is poor, Ranchi had only 11 godowns for 20 blocks.
- The Civil Supplies Corporation has no working capital to buy from FCI, vans are in poor condition or no money for patrol, staff does not receive salaries for months.
- PDS commodities arrive late and irregular, if at all. The villagers are poorly informed, and certainly not in advance.
- Many poor people have no red card (meant for below poverty line households).
- There are set amounts that PDS dealers have to pay to the supply inspectors and this money is redistributed with higher-level officers.
- On the whole, only govt. staff, agents and retailers benefit from the scheme.

A detailed study (given in the paper 'Food Security and the Targeted Public Distribution System in Uttar Pradesh' presented by Ravi Srivastava at Hyderabad in March 2000) carried out among 2250 households across 120 villages in 25 districts of four economic regions (Central and North Bihar, Eastern UP and Bundelkhand) showed that savings through TPDS in UP accounts for only 1.3 percent and 1.1 percent of the cereal budget of households in the two lowest quintiles. Thus the scheme is hardly helping the poor. This is because UP government does not lift its quota due to bad administrative arrangements, and a substantial portion of whatever is lifted is often sold in the black market. Pricing provides a hefty incentive for leakage estimated at about 41 percent. Imperfect targeting has led to exclusion of eligible households. The basis for selecting beneficiaries lacks transparency and is far too complicated to be administered by local bureaucrats. This is compounded by a lack of political commitment to the TPDS in the state, administrative cynicism and the lack of adequate incentives to the PDS shop keeper. Multiplicity of agencies with poor co-ordination has led to lower administrative accountability of the delivery machinery. GOI should ensure that adequate infrastructural capacity is available at the district and block levels, otherwise wasting scarce resources through leakages helps only contractors and corrupt government staff, and does not in any way help the poor. Greater local supervision and a clear enunciation of entitlements could reduce this leakage, but only to a limited extent, as the scheme requires effective governance. The proposed changes discussed in section 5 will reduce the surplus with the FCI, as well as reduce leakages. There would thus be massive saving in the food subsidy that can be used for direct income transfer to the poorest through schemes like the Old Age Pensions (leakages in the implementation of this scheme are far less than in the PDS) and for improving land and water productivity in the poorer areas.

Programmes such as public distribution of foodgrains can be entrusted to the local level institutions, with higher level institutions at the district, state and union levels taking up the balancing role, i.e., bridging the gap between demand and supply of foodgrains at respective levels. Due to intense social interaction at the local level, distribution can be made more transparent, thereby minimising leakages and corruption. Most of the criticisms of the public distribution system (PDS) in this country is on these two grounds, i.e., it is very costly and it ignores the vulnerable sections. Involvement of the grass roots institutions, with adequate representation of the women and vulnerable section of population will be a major step forward in meeting the objective of PDS.

The introduction of TPDS has led to the perverse outcome where allotment of foodgrains was increased to states with weak delivery system, such as UP, Bihar and Assam, and reduced to those with greater administrative efficiency (southern states) since the allotment was based on the prevailing poverty levels in these states system. There is also the phenomenon of corruption leading to leakage of a large amount of subsidised grain into the open market. In her study on Bihar, Mooij (1999) found that it is difficult for the PDS dealers to make profits without being corrupt. The administrative efficiency and the level of corruption vary with the state.

Another unintended though unfortunate outcome of the malfunctioning of TPDS is its impact on producer farmers. The inadequate purchasing power among the poor leads to low overall demand for foodgrains. This coupled with high supply of foodgrains through the TPDS leads to too much cheap grain flowing to the market, thus lowering food prices and creating a need for price support. Thus so long as the incomes of the poor fail to grow adequately the food subsidy programmes would serve its social purpose if we can improve the efficiency of the system and reduce corruption.

The offtake of foodgrains for distribution to APL families has fallen since the ration prices have reached close to (and at times are even higher than) the open market price. The offtake from the BPL allocation has been impressive on paper but a large part of the grains is diverted to the black market. TPDS thus appears to have failed in both of its objectives. It has succeeded neither in reducing the food subsidy bill nor in reaching food subsidies to a greater proportion of the poor living in the poorer states.

## **2.2 Food for work & SJRY**

Food for work programmes have a long history in India. These have been often implemented during periods of drought. The advantages of paying wages mostly in terms of foodgrains are many. First, it ensures that there is no starvation. Second, this would increase the availability of foodgrains for those in the poor families who are not participating as manual labour in the Food for Work Programme, such as children, old people, etc. Third, leakages will not be as high as in the case of other wage employment programmes, as by inflating the number of workers on a site it is easier to pocket cash than foodgrains. Even when a Supervisor fudges muster-roll in a food for work scheme, he will have to sell the saved foodgrains in order to benefit himself. This at least increases the supply of food in the open market resulting in low food prices thus benefiting every one. And lastly, the poor are able to stock surplus food that comes handy, even when such works are withdrawn.

Though it would have been desirable to link supply of grain as part of wages in the JRY/EAS type of works throughout the 1990s, the Ministry of Rural Development (MoRD) did not insist on this for various administrative reasons. The Food Ministry was not willing to supply food at the BPL price for such works, and the MoRD thought that workers would prefer cash rather than food of indifferent quality at the APL price. Even when GOI decided to

introduce a large number of food based schemes in 2000-01, more with a view to reduce food stocks at any cost, this controversy was not sorted out, although it would have been in the fitness of things to permit EAS workers to lift grain at the BPL price, a facility that was allowed to many other people in the same category. This inconsistency in policy still continues.

Food for work programmes got revived in January 2001, when many parts of the country, especially Rajasthan, Gujarat, Madhya Pradesh, Chattisgarh, and Orissa were reeling under the effect of a serious drought due to inadequate rain during the monsoons of 2000. GOI announced a very generous package in which any worker who was participating in Food for Work programme would get 5 kg of foodgrains per day for standard work from Government of India. These foodgrains will be given to the State free of cost. For the purpose of calculating wages of the labourer, states were free to value foodgrains either at the BPL or APL price. This was a clever move, as the State Governments were asked to contribute rest of the wages in cash from their own sources. As the statutory minimum wages are even higher than the APL price of 5 kg of foodgrains, valuing foodgrains at BPL price would mean that the states will have to shell out huge sums from their depleted coffers. Thus the idea was to discourage populism, benefit only the most needy, and at the same time to reduce total burden on the exchequer. The State Governments were also asked to bear the cost of transport from the nearest FCI godown to the work site, as well as cost of supervision and handling.

Since this would only lead to earthwork, it was necessary to provide for some material cost so that permanent assets can be created. This cost was also to be borne by Government of India from the existing budget allocations of EAS. The ratio between wage and material components was to be taken as 60-40. The programme is implemented by the Ministry of Rural Development, which had in January 2001 plenty of unutilised funds for JRY and EAS programmes. The material cost of converting earth work done under the programme into permanent assets was first to be met out of the existing allocations of the Ministry and in case the demand for Food for Work increases, the Ministry was to be given additional allocation under EAS or JRY programme.

However, many administrative bottlenecks continued due to which the poor could not get full benefit of the scheme. Firstly, it was not clear whether FCI was to release food to the states totally free, or only after being paid by the MoRD. FCI insisted on payment, whereas MoRD expressed their inability due to lack of budget provision. This often delayed release of foodgrains to the states, and in fact on many occasions it was released only when stories started appearing in the newspapers about workers being denied their food wages for weeks.

Despite these problems, the scheme was a great success in states like Rajasthan and Chattisgarh. Jean Dreze noted that there was much less corruption this time in Rajasthan than in 1987-88, and payments were quicker. However, there were a large number of poor willing to work, who had to go back disappointed, as the state could not set up administrative machinery to start works, arrange for its measurement, and ensure timely payment at all places from where demand was forthcoming. Moreover, the state was paying 35 Rupees in cash plus 5 kg of wheat, and this made the offer attractive even to those who were not exactly in distress. Chattisgarh made a local innovation in the scheme. Rather than wait for allocations of food from GOI, the state made payment in terms of paddy that was procured from the surplus farmers during the last three months. As paddy can be stored for a longer period than rice without getting discoloured, many poor families had earned about a year's requirement of paddy through food for work programmes.

The success of the scheme led the Prime Minister to announce a new scheme on the 15th August 2001, called the

Sampoorn Gramin Rozgar Yojana (SGRY), under which 50 lakh tons of foodgrains worth Rs 5,000 crore are to be made available to the states annually. The central government will bear the full cost of releasing food stocks for the programme. Again it is not clear whether the cost of foodgrains would be reflected in the budget of a Ministry, or would be borne out of the non-plan general subsidy pool. In the budget allocation of the Rural Development Ministry so far (10th Feb. 2002) there was no provision either for the cost of foodgrain or for capital component. Thus it is likely that confusion will continue for some more time.

### **2.2.1 Learning from the mistakes of JRY/EAS**

Since many features of SGRY are likely to be the same as in JRY/EAS, it is worthwhile to recall what we have learnt already from the experience of running these schemes for the last more than a decade.

JRY was launched as Centrally Sponsored Scheme on 1st April, 1989 by merging National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP). An important role was envisaged for the panchayats in the implementation of JRY. The funds devolved to the village panchayats, intermediate panchayats and district panchayats in the ratio of 70:15:15 (wef 1st April 1999 the scheme is being run only by the gram panchayat, and EAS funds go to the other two tiers). The panchayats were responsible for planning and execution of projects under JRY.

Evaluation studies of the programme reveal that the employment generated per person was too inadequate to bring about any meaningful increase in the earnings of the beneficiaries. The resources available were spread thinly so as to increase the coverage of areas/beneficiaries without any concern for duration of employment. Projects selected bore no relationship to the local needs or the agricultural development strategy. Considerations that guided selection of particular projects were not always based in the development of rural infrastructure. Neither the location of such works nor their timing was in accordance with the spirit of the programme. As a result, needless projects were taken up to avoid lapse of funds. A study in Uttar Pradesh reports that the timing of works coincided with peak agricultural season and that the selection of works was not done in the gram sabha as is required. In flagrant violation of the guidelines, in many States projects were executed by contractors who sometimes hired outside labourers at lower wages. They also used trucks and tractors instead of more labour intensive approaches. There were instances of projects shown to have been executed in a scheduled caste locality, whereas, in fact, they had been carried out in upper class locality. Women have complained that employment was provided only for the Pradhan's personal supporters or workers willing to sign for higher wages than those they actually received. The share of women in employment generated under the programme, was only 17 per cent.

JRY, and similar rural works programmes, have encouraged corruption. The fudging of muster rolls and measurement books is very common resulting in huge loss of funds that could otherwise have been invested in building rural infrastructure. During a field visit to Nuapada (Orissa) it was reported that the documents were fudged to cover excess payment involved in transporting the materials.

The Employment Assurance Scheme (EAS) which was launched on 2nd October 1993 was initially in operation in 1772 identified backward blocks situated in drought prone areas, desert areas, tribal areas and hill areas in which the Revamped Public Distribution System (RPDS) was in operation. It was gradually extended to other blocks and by 1997-98 the scheme was being implemented in all the 5448 rural blocks of the country.

A comprehensive evaluation of EAS by the Programme Evaluation Organisation (PEO) of the Planning Commission was undertaken in 14 States. It shows that the scheme is being executed through contractors in most of the States in violation of the central guidelines; the norm of 60:40 for wage and material is not maintained; the genuine muster rolls are not being maintained by the Gram Panchayats. Family cards have not been issued; the system of registration of job seekers with Gram Panchayats is not in vogue; and even though Central allocation seems to have been made on the basis of minimum notional requirement, a vast majority of the Blocks did not get this allocation. This could be due to the inability of the States to contribute their matching share in the pooled fund for EAS.

With regard to the impact of the EAS, the study found that the estimated proportion of registered job seekers that actually got any employment was as low as 25 per cent in sample villages. Furthermore, in most of the States in sample villages, the average number of days of employment per person per year was less than 53 as per official records. However, information gathered from the beneficiaries of EAS reveals that 69 per cent of beneficiaries got less than 30 days of employment and another 17 per cent between 30 and 50 days. The overall average for the 14 sample States works out to 31 days.

Even in the matter of asset creation, the study finds that the Central norms have not been followed. For example, in none of the sample States, 40 per cent of funds for watershed development and 20 per cent for minor irrigation, link roads and buildings for schools and anganwadis were earmarked. In Bihar, 69 per cent of EAS funds were allocated to activities like school buildings/anganwadis which are not labour-intensive. Similarly, in Gujarat, Haryana and West Bengal the unit cost of employment generation in school buildings / anganwadis is abnormally high (Rs 200 to Rs 300). It is difficult to justify allocation of funds to such activities under employment generation scheme. No inventory of assets was kept and it was difficult to know whether the asset created was community or private asset. Several lacuna have come to notice in the design and implementation of EAS. First, bogus reporting. Field staff have learnt to report figures in the manner expected of them, that is they must show that targets have been fully achieved irrespective of what the ground situation is. Collectors are under pressure from the state governments to furnish utilisation certificates, so that states could draw the next instalment from GOI. Therefore money is considered to have been spent when it is allotted from the district to the panchayats, even when no physical expenditure has taken place.

Second, employment generation programmes create incomes for the rural poor but no assets. Once such programmes are withdrawn the poor may again fall below the poverty line, if family based assets are not created for them. Third, development of vital infrastructure like road, water supply, electricity, schools and the like is neither labour intensive nor results in assets which are primarily used by the poor. The choice of projects gets severely limited if sustained benefits other than one-time employment to the rural poor is to flow. Fourth, employment schemes provide massive amount of funds for the provision of road and school construction, in which villagers become (temporary) state employees of the concerned departments, leading to a continued state of psychological dependency on and expectation from the state. And lastly, such programmes have encouraged corruption on a very wide scale, both at the political and administrative levels.

According to instructions issued by the Ministry, people seeking work in EAS have to apply and get registered first, then a project will be prepared and submitted to the Collector, and then the Collector will seek funds from the Ministry. In practice, this order is seldom followed and, in many cases, the reverse may be happening. That is, the Collector receives funds first, then decides the area where funds would be spent (the choice of area is often

on political grounds) and then the Department to whom these funds would be placed followed by preparation of a project by the chosen department(s) and, in the end, during the execution of the project, the Department gets applications from those actually employed. Thus, in practice, Collectors have a lot of discretion in deciding the placement of these funds with Departments such as PWD, Agriculture, Soil Conservation, Rural Engineering Service, Minor Irrigation etc. The unhealthy competition among the Departments for funds can be checked if the Ministry insists on following the correct sequence of activities. In other words, before any money is released to DRDA, the Collector must specify the Departments to whom these funds will be released and how much, and while seeking the second and subsequent instalment of funds, Collector must certify that funds were given to the Departments which were mentioned in the application for the first instalment. Collectors should also ensure that coordination between Departments so that the poorest regions are covered with the desirable economic activities. Lastly, applications from those seeking work must precede before preparation of projects.

The need for such public works programmes has been universally accepted and acknowledged by the researchers working in the field of rural development in India as well the international experts and donor agencies. It is, however, imperative to strengthen these programmes and create a delivery mechanism which would take the programmes to the intended beneficiaries without leakages and diversion of funds. In this regard, a few steps that could be taken are listed below:

- EAS should be limited only to those districts where minimum agricultural wages are at least 25% below the statutory minimum wages fixed by Government. In at least half of the districts in India, actual wages are above minimum wages that leads to fudging of muster rolls and accounts.
- Each Technical Department must provide a list of those who have been paid under EAS works to the concerned Gram Panchayat along with the date of payment, and Gram Panchayats must call a meeting of Gram Sabha and verify the list. The verification certificate should be signed by at least half of the Panchs of the Gram Panchayat and should be sent to the concerned Department. No Department should be given funds for the second time unless they obtain such a certificate from the Gram Panchayat.
- The list of workers along with the number of days they have been given jobs under EAS and JRY should be compulsorily hung in each office of the Gram Panchayats and outside each school in the village. Similar information about beneficiaries of all programmes, such as IRDP, IAY, etc. would be displayed and made available to all concerned. Important meetings of Gram Sabhas should be videographed and a permanent record of such videos will be kept.
- In order to promote people's participation and in order to ensure that Gram Panchayats and Gram Sabhas do not get reduced to the office of the Village President only, each Gram Sabha should raise 30% of the allocated JRY/EAS funds through contribution from the public before it gets entitled to receive such funds. For backward and tribal blocks, this will be reduced to 15%.
- Such States which have not held elections to village level panchayats without any valid reason, like Jharkhand and Pondicherry, should not be given JRY funds. Their share of JRY funds should be put in suspension and should be passed on to the panchayats, with backlogs, as and when elections are held.
- When funds are released by DRDAs/Zilla Parishads to Blocks or Panchayats, a Press note should

invariably be issued about the date and amount released to various offices. This publication in newspapers will improve transparency. Similarly, all departments getting EAS funds will issue a Press statement about the dates of execution of works and the dates when payments were made to the workers. This will reduce complaints that payments to workers are often delayed. A monthly gazetteer should be published at the district level of all works with details of individual workers with number of days employed, and not simply number of man-days of employment created. This will be made available to all concerned.

- Departments such as the DRDAs and Blocks which have more dealings with the rural people, should be assessed by an independent professional organisation, consisting of journalists, activists, NGOs, and even retired government servants, once in three years. These should look at their policies and performance, and suggest constructive steps for their improvement. The Ministry of RD, GOI, can help in the building up of such evaluation organisations. At present the systems of inspection are elaborate but often preclude the possibility of a 'fresh look' as they are totally governmental and rigid. The system should be made more open so that bureaucracy can gain from the expertise of outsiders in the mode of donor agency evaluations of projects and there is a feeling of greater accountability. The teams should consist, in addition to government servants, of development practitioners from other fields, academicians and even members of the public. The reviews conducted should also form the basis of time bound changes and improvements that should be monitored.

In order to improve the efficacy of the programme and to ensure that the poor and unemployed get up to 100 days of employment in lean agriculture seasons, it is necessary to restrict this programme to areas which are backward, characterised by poor agriculture; chronic poverty and hunger.

With a view to bring about greater transparency in the functioning of PRIs and to ensure proper utilisation of funds, there is need to put in place a system of 'social audit'. Under this system, it should be ensured that all concerned have the information about the release of funds by DRDAs / Zilla Parishads to Blocks / Panchayats through press notes and similar information is given to the general public by the implementing departments when they receive funds. Gram Panchayats must display on their notice board information about the works executed, their value, employment generated, payments made along with the list of beneficiaries. This information must be verified in a meeting of the Gram Sabha. Payments made by the executing agencies for the materials should also be similarly made public for any one to verify. A 'Right to Information' campaign on the lines launched by MKSS, a voluntary organisation in Rajasthan will certainly help in improving delivery in states with poor record of governance.

It is hoped that these findings will be of help in improving the performance of SGRY, which is the Prime Minister's programme for the rural poor.

## **2.3 ICDS**

ICDS - launched in 1975 - is a nation-wide programme for the overall development of children below 6 years and of the expectant and nursing mothers. It provides a package of 6 services viz., supplementary feeding, immunization, health check-ups, referral services, pre-school education and health and nutrition education for its beneficiaries. Of the total 5614 ICDS Blocks, only 4200 Blocks could be operationalised by 1999-2000, benefiting 26.5 million children and 5.6 million mothers. The same level continued along with a special coverage of 3.51 lakh Adolescent Girls in 507 ICDS blocks. ICDS also receives assistance from the World Bank to add some additional inputs. During the Ninth Plan period, the target is to expand the programme to another 851 Blocks (461 under the World Bank assisted ICDS and 390 under General ICDS), as part of the universalisation of ICDS. ICDS, as it



stands today, reaches out to 90 per cent of the community development blocks in the country.

The ICDS, which completed 25 years of its implementation in October 2000, was evaluated by a number of individual experts and various research organisations. Of these, the National Evaluation of ICDS conducted by the National Institute of Public Co-operation and Child Development (NIPCCD), New Delhi, in 1992 and the Mid-term Evaluation of World Bank-assisted ICDS need special mention. The findings of the NIPCCD study indicate a very positive impact of ICDS on the health and nutrition status of pre-school children. The Mid-term evaluation of the World Bank assisted ICDS (Project-I) conducted in Andhra Pradesh during 1995-96 also revealed that the Project interventions had brought down the IMR to 62 per 1000 live births which was in consonance with the project objective of 60 per 1000 live births. The incidence of severe malnutrition amongst children of 0-3 years was reduced to about 5 per cent and that of 3-6 years to 3 per cent. The proportion of low birth weight babies also came down to 20 per cent as against the project goal of 24 per cent. Similarly, in Orissa, the IMR had come down to 93.6 and the incidence of low birth weight babies to 23 per cent.

The following action points should receive special attention, keeping in view the future prospects of ICDS. Special efforts to ensure adequate funds for supplementary feeding of ICDS by all the States/Union Territories (UTs) as there exists a large gap of around 50 per cent between the 'need' and 'supply'. ICDS becomes meaningful only when the funds for food supplementation from States/UTs get synchronized with the funds contributed by the Central Government towards maintenance of the super-structure for operation and supervision of ICDS. Many states are not able to buy foodgrains from FCI for this programme, thus nullifying the expenditure by GOI on the establishment of Anganwari workers (AWW). Now with additional help from PMGY (see section 2.5) this problem should get sorted out.

Low dietary intake is the most important cause of under-nutrition. Other major factors responsible for under-nutrition in children are low birth weight, poor infant feeding practices, infections due to poor sanitation, lack of safe drinking water and poor access to health care. In spite of low dietary intake prevalence of severe under-nutrition is lower in Kerala because of more equitable distribution of food between income groups and within families and better access to and utilization of health care. In spite of higher average dietary intake, under-nutrition rates are higher in UP, MP and Orissa because of lack of equitable distribution of food and access to health care. Identification and appropriate nutrition and health intervention among 'at risk' groups and in under-nourished children are essential for optimal results.

Another factor responsible for under-nutrition in childhood is poor intra-familial distribution of food. In over 20% of the families where adults get sufficient food the pre-school children do not get enough food; this problem is inversely related to the maternal education level. Nutrition education by AWW has a key role in improving intra-familial distribution of food and ensuring that the preschool child gets its share.

Evaluation of Nutrition Component of ICDS : During the Ninth Plan ICDS programme in Orissa and Andhra Pradesh were evaluated by the National Institute of Nutrition. There was a major review of the nutrition sector and ICDS programme by the World Bank (WB) and Government of India in 1997. The findings were:

- ICDS services were much in demand but there are problems in delivery, quality and coordination. The programme might perhaps be improving food security at household level, but failed to effectively address the issue of prevention, detection and management of undernourished child/mother.

•Children in 6-24 months age group and pregnant and lactating women did not come to the Anganwadi nor did they get food supplements.

- Available food was shared between mostly 3-5 year old children irrespective of their nutritional status.
- There was no focused attention on management of severely undernourished children.
- No attempt was made to provide ready mixes that could be given to 6-24 month child 3-4 times a day; nor was nutrition education focused on meeting these childrens' need from the family pot.
- Childcare education of the mother was poor or non-existent.
- There were gaps in workers training, supervision, and community support.
- Inte-sectoral coordination was poor.

## **2.4 MDM**

The midday meal scheme was launched as a two-pronged strategy – to lower the widespread incidence of malnutrition primarily among children of poor families and to increase their access to education. At any point of time, around 200 million children, between the ages of 5-14 years are victims of malnutrition, associated with food shortages, population expansion, lack of suitable food substitutes, poverty, ignorance, traditional beliefs and customs. The scheme was aimed at boosting primary school attendance, by allowing children of parents living below subsistence levels to attain basic literacy levels rather than being pushed into the workforce at an early age.

The Mid-day Meal Programme has acquired an all India coverage in 1997-98. The number of children covered under the Programme has risen from 3.4 crores in about 3.22 lakh schools in 1995-96 to 9.85 crore in about 6.88 lakh schools in 1998-99. The initial impact of the programme of enrolment and participation of children, especially girls, has been favourable. Evaluation studies sponsored in four States, i.e. Orissa, Tamil Nadu H.P. and U.P., by Planning Commission through various institutes reveal that average attendance rate has increased and dropout rate has decreased in the post Mid-day Meal period as compared to the pre-mid-day meal period (prior to launching of the scheme in 1995). These studies have suggested that a) the teachers should be involved in the supervision and monitoring of the mid-day meal programme. b) Basic infrastructural facilities are required like spacious kitchens in all the schools. c) The mid-day meal programme needs to be combined with an “education package” like free uniforms, free textbooks and bus passes etc.

The latest trends are that allocation of funds for the programme has not been commensurate with the requirement resulting in setbacks to the programme. Most States have not been in a position to make additional investments required for converting foodgrains into hot cooked meals.

According to the Mid-term Appraisal of the 9th Plan, midday meal schemes have with time, fallen prey to the ills of mal-administration, corruption and politicking. Schemes have been launched to cover all children studying in primary classes in government, local body and government-aided schools, but have failed to deliver on its promises. The state governments were to supplement the central efforts by providing the conversion costs for serving cooked meals for which financial assistance is available to them under the JRY/EAS funds. Most states, however, reported severe resource constraints, inadequate cooking arrangements and resentment among teachers. In recent years, the scheme has suffered from disruption in supply of foodgrains due to paucity of funds and non-reconciliation of lifting figures between states and FCI with the latter, in response, often resorting to the suspension of supply of foodgrains.

## **2.5 BMS & PMGY**

In 1996, a conference of Chief Ministers was held to review the situation about the availability of basic minimum services (BMS) to the people. The conference identified seven basic minimum services for priority attention: primary health care, universalisation of primary education, safe drinking water, public housing assistance to all shelterless poor families, nutrition, connectivity of all villages and habitations by roads, and streamlining of the public distribution system (PDS) with a focus on the poor. The Conference recommended that the entire population should be covered by the programme in a time-bound manner. In response to the Chief Ministers' recommendations and in recognition of the fact that States faced financial constraints, the Central Government decided to provide some additional funds to supplement States' resources.

Since 1996-97 in each year ACA (additional central assistance) has been provided for BMS in the Central Budget. While in 1996-97, the allocation was Rs 2244 crore, in 1997-98 it was Rs 3100 crore, which was further increased to Rs 3400 crore in 1998-99, and to Rs 3700 crore in 1999-2000.

The programme was to create additionality of resources for the seven vital sectors, and it was clearly stipulated that the states will not reduce their own level of funding, and will not use these funds as the state contribution for procuring central funds in these sectors. However, these conditions remained only on paper. In actual practice, very little additionality of resources was generated under this scheme. Since the states were under severe fiscal strain and were finding it difficult to raise resources to meet their own commitments for drawing assistance already available under the various centrally sponsored schemes, they diverted ACA received under BMS to this purpose. In other words, if for drinking water previously a state was receiving 75 crores from the GOI Ministry and had to contribute 25 crores from state funds, now it diverted 25 crores from the BMS towards the scheme in order to avail of the GOI assistance of 75 crores. Thus rather than the scheme be run on 75:25 basis, it became a 100% centrally sponsored scheme, with no extra benefit to the poor people.

It was also noticed that of the seven sectors, nutrition got negligible assistance under the BMS. As the states were given freedom to choose the distribution of BMS funds among the seven services where they would like to invest, BMS funds were mostly used for such services where there was already a centrally sponsored scheme in which they had to make their own part contribution in order to draw central funds. Since there was no such scheme in nutrition, this sector suffered very heavily in the allocation of BMS by the states. This unfortunately also reflects on the low priority that politicians and bureaucracy attach to nutrition.

This anomaly was corrected to some extent when BMS was replaced by PMGY in 2000-01.

### **2.5.1 PMGY**

In order to achieve the objective of sustainable human development at the village level, it was decided to introduce a new initiative in the form of Pradhan Mantri's Gramodaya Yojana (PMGY). This would focus on the creation of social and economic infrastructure in six critical areas with the objective of improving the quality of life of our people especially in rural areas. Programmes related to rural roads, health, education, drinking water, housing and nutrition are to be undertaken within this programme.

The PMGY has two components: Programme for rural connectivity with 50% allocation, and other programmes

of primary health, primary education, shelter, drinking water and nutrition with the remaining 50% allocation. In the year 2000-2001, Rs 5000 crore were provided for this. While the scheme for rural roads is implemented by the Department of Rural Development, other programmes are being supervised by the concerned administrative Departments at the Centre, namely, Department of Family Welfare, Department of Elementary Education and Literacy, Department of Rural Development, Department of Drinking Water supply and Department of Women and Child Development (for nutrition). In fact, the Central Ministry/Department are to monitor their programmes of PMGY, while the overall coordination is the responsibility of the Planning Commission.

Unlike the BMS, where the states had full freedom to decide how much to spend on what service, in the PMGY such a discretion is limited, as the states must spend a minimum of 15% on each of the five service, leaving the balance 25% to be decided by the states taking into account the local priorities. Thus each state was bound to spend at least 15% of PMGY funds (15% of 2500 crores came to 375 crores) on nutrition. Since the Department of Women & Child was the nodal department for this programme, this assistance was mostly used to meet the food requirement of ICDS.

Thus in a nutshell, under the Pradhan Mantri's Gramodaya Yojana, an Additional Central Assistance of Rs 375 crore got provided to States for funding take-home food supplements based on locally acceptable cereal, pulse and oilseed mix for the nutritionally most vulnerable under three year children. The States were also requested to contribute as much as possible for nutrition sector from PMGY funds so that the large gaps in availability of food supplements under the ICDS programme can be bridged.

## **2.6 Annapurna**

The National Old Age Pension Scheme (NOAPS) was introduced as a 100 per cent Centrally Sponsored Scheme on 15th August 1995. Under this scheme about 60 lakh old people get monthly pension ranging from 100 to 250 Rs per month. The NOAPS has been a successful scheme. About one-third of the beneficiaries were found to be neglected by their offspring or were living alone; another one-third were found to have a dependent (mostly spouse) and in remaining cases, the beneficiaries did not have a regular source of income. However, in some States the benefits were distributed once in two months and in some others there was no fixed frequency for distribution. Government of India decided to extend this scheme to another 10 lakh old people, but give them only 10 kg of grain, either wheat or rice free of charge every month. The budget allocation during 2000-01, which was the first year of its operation, was 100 crores, but only 17.44 crore Rs could be spent. This scheme has some how not taken off for several reasons. First, people prefer to get cash, and not grain, the quality of which is quite poor. Second, the village panchayat is indifferent to running this scheme, and the block machinery does not have the wherewithal to store foodgrain only for a few people in a village, and deliver it to them. Thirdly, no provision has been made for storage, transport, and losses in foodgrains. Fourthly, the scheme requires coordination with FCI, and that is often lacking. Finally, Haryana, Karnataka and Tamil Nadu did not agree to implement the scheme in its current form. Many others have desired modifications before implementing it. Only 19,000 tonnes of foodgrains was lifted by 10 states during 2000-01. The performance in 2001-02 was equally dismal. As against a target of covering 13.47 lakh people, the actual coverage was only 2.03 lakhs.

## **2.7 Antyodaya**

Similar administrative problems exist for this scheme, according to which the poorest are to get wheat at Rs 2

per kg and rice at Rs 3 per kg. Identification of the poorest has still not been done, as the criteria for selecting the poorest is not objective. Secondly, administrative machinery has no faith in this scheme, therefore monitoring is weak. However, as the price is very attractive, it is quite likely that most of the 2.5 million tones of lifted grain under this scheme in the current year (against an allocation of 3 million tones) has been black-marketed.

A general feature of all food based schemes is lack of people's participation. It is therefore often suggested that every village panchayat should be asked to prepare lists of its BPL families and then make sure that not only is there no diversion of foodgrains meant for the poor, but also that the poor families so identified are continuously monitored to ensure that not a single member of these families suffer from starvation. It is also argued that entrusting the food based schemes to local bodies would help these bodies to integrate the scheme at their level with their other development and welfare schemes. However, it is easier to recommend it on paper, but difficult to ensure in practice.

The exact distribution of responsibility between the district administration and the PRIs for executing food assistance programmes cannot be rigidly defined. At the moment both seem to be lacking capacity for efficient implementation of such programmes, and it is difficult to make an either-or choice between the two. We discuss below some of the general issues associated with these two organisations.

### **3 Administration vs. PRIs: who should implement food based schemes?**

There is now substantial evidence that basic public services and programmes meant for the poor and the weaker sections function inefficiently in India, especially in the poorer states. This is more true of wage oriented schemes, because earth work is difficult to monitor and it is easier to fudge muster-roll. The general factors resulting in low capacity of the district administration are poor accountability, lack of motivation, absence of performance appraisal, absence of system of incentives and penalties, predominance of unstated objectives over stated objectives, and large-scale leakage due to corruption.

Creation of panchayats raised hopes initially, as decentralisation was expected to achieve higher economic efficiency, better accountability, larger resource mobilisation, lower cost of service provision and higher satisfaction of local preferences. But several studies show that they too have not benefited the people to the extent of funds provided by government.

Firstly, the control which is exercised by the Block level officials over the village panchayats and gram sabhas (which rarely meet) has not only buttressed corruption and diluted accountability, but it has also led to pessimism that villagers at their own level cannot change and improve performance. Instances have been reported where the Gram Panchayat Sarpanches have to spend extraordinary amount of time visiting Block Offices. There are also instances of harassment by Block level officials. Systems which require Gram Panchayat Pradhan / Sarpanch to approach Block office for funds and/or approval need to be drastically changed. Village bodies should be able to spend funds on their own without having to take technical approval from government officials. These interactions with the Block staff distort the role of Sarpanches as elected representatives of the Gram Sabha and induct them into the bad old ways of officialdom, besides encouraging corruption.

The Constitutional Amendment mandates political decentralisation, leaving issues of design and implementation on sectoral, administrative and fiscal aspects to the States. The transfer of sectoral, administrative and fiscal responsibilities to PRIs has not taken place in most states. The State Acts have not clarified powers and responsibilities of the different tiers of PRIs nor the jurisdictional issue between PRIs and administration. The latter has been left a grey area deliberately so that in the absence of clear jurisdictions the state administration retains the power. Today PRIs are not yet 3rd tier of the government, but an extension of the 2nd tier. They are not functioning as institutions of self-governance, but only as agencies for executing a few programmes of the state government/ GOI.

Secondly, the system of reservations (though desirable from equity point of view) adversely affects the sustainability of these institutions. The seats held by women and scheduled castes/scheduled tribes are to be allotted by rotation to different constituencies. In practice, this implies that a woman or a scheduled caste/tribal elected to a panchayat will normally have a term of five years, with no prospect of re-election (In Karnataka the term is only for 20 months). This goes against the spirit of democracy, as people work hard for their constituencies in the expectation that they would be returned to power in the next elections. Therefore the system of reservations should be the same as for Assembly and Parliament Constituencies, that is some seats may be permanently reserved for the weaker section. Thirdly, the elected members of the PRIs at the block and district level behave more or less as contractors, with no institution of the gram sabha at that level to put moral pressure on them. Fourthly,

heterogeneous and unequal village societies often throw up leaders who have little concern for the poor. Fifthly, factional fights at the local levels divert the energies of the elected officials from working for public welfare to consolidating the power of their group.

And lastly, PRIs are excessively dependent on the State and Central Governments for funds. Rather than receiving a share in taxes and Central grants the panchayats should have the right to levy and collect taxes on their own in order to reduce their dependence on state and central governments. Today the PRIs hesitate to levy and collect taxes, as they prefer the soft option of receiving grants from GOI. This must be discouraged and the local bodies be encouraged to raise local resources for development and then receive matching grants from the Centre/States. The more dependent a PRI is on the mass of its citizens for financial resources, the more likely it is to use scarce material resources to promote human development and reduce poverty. External funds with no commitment to raise internal funds make PRIs irresponsible and corrupt.

Because of the factors stated above, panchayats have not emerged as responsive and equitable organisations. Mechanisms of accountability, and in particular Gram Sabhas are not working, and neither are the right of recall, the vigilance committees or recourse to higher authority. People do not see Panchayats making decisions that are relevant to their lives, probably because PRIs have neither the resources to undertake development, nor the power to influence existing programmes. Gram Panchayats (GPs) have become multi-village institutions and the resolution of competing village demands is made through less than perfect, sometimes opaque decision processes. Voting and rules of voting procedures within PRIs are not specified as mandatory in the Panchayat Acts. And caste and gender bias pervade the workings of PRIs, despite the reservations.

A field investigation was carried out in six districts of Rajasthan and Madhya Pradesh to assess the preparedness of rural constituents to participate in and seize the opportunities created by decentralisation (World Bank 2000). People participate in the political process of elections to these bodies but show low levels of interest in PRIs as an instrument of democracy and development. People do not participate in the accountability mechanisms and in particular in the gram sabhas, which on average were attended by only seven percent of eligible population. The explanation for lagging participation is that people perceive little benefit from GPs given the scarce resources under their control. Elected PRI representatives themselves, at every level, feel marginalised.

And there are issues of inclusion. In the villages investigated, males, well-informed citizens, and educated people were the most likely to be active in the panchayats while landless people, tribals and women were less active. In general women were the most dis-empowered. Participation was not affected by caste or land holdings. Education and access to information are the two most significant influences associated with participation and participation rates among women rise considerably with access to information. There is no evidence that reservations contribute to inclusion. Nor is there evidence that reservations reduce the effectiveness of GPs. Finally, also there is no evidence that the presence of NGOs enhances participation in PRIs.

On the fiscal front, one would like to advocate redesigning mechanisms for transfers to PRIs to increase expenditure autonomy and reduce revenue dependency. States need to

(a) increase the share of transfers to PRIs from state governments as untied grants, by (i) consolidating state schemes with broad rural development objectives into untied grants, as Kerala has done; (ii) making these grants a share of state revenues, (iii) explicitly defining through state legislation a formula to allocate grants to jurisdictions

and PRI levels; and (iv) transfer collection of village taxes, such as land revenue, irrigation tax to PRIs; and (b) based on population, poverty and efficiency, increasing the sources of own revenues of PRIs through own and assigned taxes and increasing their capacity to collect. State grants should be given to them only when the PRIs are able to collect the taxes assigned to them.

GOI has to play a lead role in strengthening PRIs. It may, for instance, consider if the hundreds of schemes and programmes assigned in principle to PRIs can be simplified into a system of block, preferably untied grants. Second, it should seize the space created to assist states in revisiting the revenue powers of PRIs and identify actions to improve own revenues, either through direct, assigned or shared taxation, and improved cost recovery. Third, it should engage state governments on administrative reforms to effectively bring local administration under the control of PRIs. Fourth, it should engage state governments in giving priority to issues of transparency and information related to powers and duties, rules and procedures, and fiscal flows, to all levels of government and the public at large. Fifth, it should assist state governments in determining the appropriate functional assignments of each level of PRI (District, Block and village). This work should draw on international good practice on sectoral assignments between levels of governments.

Lastly, effective panchayats/user groups would also require effective district and block level administration. Hence efforts towards better accountability and performance from local bureaucracy should go hand in hand along with building local PRI capability, otherwise the elected PRI leaders would not change their perception of the state being an 'open treasury'.



## 4 Improving governance

While the functions of the state in India have steadily increased, capacity to deliver has declined over the years due to administrative cynicism, rising indiscipline, and a growing belief widely shared among the political and bureaucratic elite that state is an arena where public office is to be used for private ends. Poor governance is at the root of many ills associated with food administration, as well as other programmes for the poor. The reasons for poor governance are both political and administrative.

Democracy in India is not about people, it is about access to state power. Entry into the political arena is driven by a desire for personal gain, not by a genuine commitment to serving the people. The state resources are the most valued prize for both politicians and their constituencies. A client patron relationship has evolved out of this impulse, between the holders of state power and those seeking public services. Ultimate authority over resource lies in the hands of individuals, not formal institutions bound to follow set procedures. Where power is highly personalised and weakly institutionalised, the political process is replaced by arbitrary and informal transactions. While panchayat elections have been held in most states, there has been the parallel development of the induction of politicians with criminal records into the legislatures and high office. In an environment of the scarcity and weak institutions, access to power and material resources has led to the violation of rules, plundering of public treasury, lowering of trust, and decay of governance. When game keeper turns poacher, there is little chance of the survival of rule of law altogether. In this environment even panchayat leaders tend to imbibe the culture of their political seniors.

Political system is accountable to those who are behind the individual MLAs; these are often contractors, mafia, corrupt bureaucrats, and manipulators who have made money through using the political system, and are therefore interested in continuation of chaos and patronage based administration. The individual MLA/MP after becoming the minister cannot separate himself from his supporters. Hence it is important that pressure builds from outside the system, be it donors or civil society or even the industrial elite.

How are the poor affected by deterioration in governance?

- Poor are harmed because of rent seeking behaviour of police, municipalities, and other officials
- Government's social sector spending yields no benefits – teachers do not teach and doctors do not attend PHCs
- Distrust of government increases, and people are not willing to collaborate with government
- As politicians and civil servants are seen by the people amassing wealth because of their position, work ethic suffers as manipulation is considered more rewarding than hard work
- Ultimately it impinges on growth that again harms the poor

Most manipulations succeed because of the environment of secrecy that pervades government functioning. There is no early check because decisions are taken behind closed doors. The sharing of information and making the entire system more transparent would certainly reduce the danger of the system being hijacked by crooks. Transparency builds external demand for reform and makes administration more responsive and performance oriented. GOI and the states should therefore pass a Right to Information Act. If the right of the ordinary citizen to information is recognised, it will dramatically increase the strength of the citizen to understand and challenge corruption and the

arbitrary exercise of state power. It should be the duty of each officer to pro-actively attempt to increase the power of the citizen in his or her relation with the state, through building in transparency into all official procedures and systems, and suo-motu making available all relevant information to the people.

Strengthening civil servants' accountability to their administrative superiors (and, one hopes, to their subordinates as well) may be necessary. But strengthening internal administrative accountability is rarely sufficient to produce an improvement in government efficiency and the quality of services to the public, because internal controls are often ineffective—especially when the social ethos tolerates collusion between supervisors and subordinates. “Outward accountability”, therefore, is essential for greater responsiveness to the needs of the public and thus to improve service quality—whether it is the individual civil servant who is directly accountable, or the service unit, or the ministerial department as a whole. Outward accountability can be increased in a variety of ways—user surveys, individual name-tags, investigative journalism, media access (e.g., being confronted on TV programmes), external monitoring, public opinion polling, etc. (Various devices to this end have been pioneered recently in Australia, U.K. and New Zealand.) A rise in individual accountability must be accompanied by commensurate rewards and consequences for non-performance (training, rather than penalties, may be the right response). The weight of evidence from all countries shows that the lack of credible consequences turns serious accountability reforms into bureaucratic formality. Here, the magnitude of the reward or the severity of the penalty matter less than their certainty, swiftness and fair and uniform application.

A government that works for the poor is a government that works for all citizens, rich and poor alike. The first and most fundamental challenge for reducing poverty through food based programmes is to improve the quality and effectiveness of the government delivery. The way forward is clear. India needs to find better ways to empower its poorest citizens and bring them into decision-making at all levels. In addition to ensuring that the recently created Panchayati Raj Institutions (PRIs) include the poor fully as decision makers, India needs to transform its public sector so that the conduct of the development bureaucracy is transparent and accountable to citizens at all levels.

## 5 Measures for improving food economy

Since improving institutional capacity in government and PRIs for better delivery of food based assistance would take time (as well as political will), one should advocate market based solutions too, that will indirectly help the poor. We take up some of these issues in this section.

The objective of all food based schemes is to improve consumption of the poor, who do not have enough purchasing capacity. As already stated, these schemes require an efficient and pro-poor administration, that can deliver subsidy based programmes without much leakages. These conditions unfortunately are not satisfied in many states. Since state government's competence is limited, one should supplement food assistance with other measures, which can reduce the open market price, and improve purchasing power of the poor.

The challenge is to reduce government foodstock to roughly half its present level and use it for reducing malnutrition, without adversely affecting the farmers. This would need the following legal and policy changes, which would enhance the role of private sector and make markets less distorted than these are at present.

- Reduce Minimum Support Price (MSP) to a level comparable with international prices. The BPL price for off-take of foodgrains should be 25% higher than the MSP.
- Low output price will result in more labour than capital as input in agriculture, thus leading to market led land reforms, as economies of scale will operate in favour of those who have more labour, and thus they will start buying land from those who are short of family labour, generally rich farmers.
- A Central Act to ban controls on movement between States.
- Phase out levy or monopoly purchase.
- Encourage rice export by lifting quantitative restrictions, and if necessary, import broken rice for the TPDS.
- Take out wheat, rice and sugar out of the Essential Commodities Act.
- Completely decontrol sugar and take it out from PDS.
- Lift the ban on Futures Trading of agricultural commodities.

New initiatives have been taken in India in the field of decentralised procurement of foodgrains. Some state governments, such as MP and UP, have for instance initiated their own food procurement operations. More such initiatives should be encouraged in the future. Deficit states should be encouraged to buy directly from surplus states, and they should be compensated for transport and storage etc. These states will most probably hire private agencies to do so, which will bring private expertise into this field.

There is also a possibility that the FCI can play a more active role in the market for foodgrains. The FCI can undertake open market operations within a prescribed price band. It can conduct open market operations by releasing stocks in the open market when shortages are prevalent and prices are high. The FCI should also become an active player in the international market for foodgrains.

Most storage godowns with the FCI are small-scale low quality structures, or foodgrains are stored in the open called covered and plinth storage (CAP), leading to high storage losses. One should consider fiscal concessions to encourage new godown capacity in the private sector.

The present extraction rates for both wheat and rice are about 10 to 30 % below the international standards due to reservation of agro-processing units for small sector who use inefficient technologies. Therefore remove licensing controls on Roller Flour Mills and other food processing industry. De-reserve food processing units, especially rapeseed and groundnut processing units, from the SSI list.

Private transporters get a low priority on railway movement forcing them to rely on more expensive truck transport. Similarly selective credit controls by RBI restrict access to trade financing by the private sector. These problems deserve attention.

Regulated markets were supposed to improve efficiency, but many official market committees such as in UP, Punjab and Haryana make it illegal for farmers to sell through alternative channels (i.e. selling directly to millers). The markets have thus emerged as taxing mechanisms, rather than facilitating farmers to get the best price. On the whole, laws and controls have repressed private foodgrain marketing, undercutting its potential contribution to long-term food security.

One should also consider increasing the issue price to a level, which is above the MSP and about 25% below the prevailing market price. This will discourage black-marketing and reduce the burden of subsidies. Saving should then be targeted to the poorest areas by doubling the number of old age pensioners, increasing the amount from 75 to 200 Rupees per month. The fund allotment for Mid Day Meal Scheme and ICDS should be doubled in those districts where 50% or more people are below the poverty line. These measures will improve purchasing power and consumption of the poor, without leakages of the magnitude seen in TPDS/Antyodaya.

## **6** Summing up

We have discussed in this paper several schemes of GOI aimed to alleviate household malnutrition. The total expenditure on such schemes may be more than 25,000 crores in a year, of which roughly 400 crores may be external contribution. However, inefficiencies in their operation result in limited impact, so that more than half of the children 1-5 years old in rural areas are under-nourished, with girl children suffering even more severe malnutrition. The most important scheme Targeted Public Distribution System has had little impact on nutrition levels, and has suffered from problems of illegal diversion and black-market selling of subsidised foodstuffs, a minimum purchase requirement that acts to exclude the poor, weak monitoring, a lack of transparency and inadequate accountability in management. We cannot therefore separate the question of efficient food distribution from the general question of improving governance and people's participation. Hence some of the issues taken up in section 4 are relevant, and have to be discussed with policy makers at appropriate levels.

While provision of food subsidy is an important element of the food security system in India, an equally important role is played by food procurement and buffer stock operations. Since agricultural production is subject to wide fluctuations due to climatic factors, left to market forces there is likely to be wide fluctuations in foodgrains prices in India. To bring about stability in foodgrain prices in the country it is necessary to maintain an adequate level of buffer stock. However the challenge is to improve distribution also, so that not only the poor benefit but market price too is kept under control. It is significant to note that during the years of record production of wheat and rice in 1998-99 and 1999-00, the prices of these cereals continued to rise in the market, because government procured but was not able to offload this in the market through PDS and other channels.

Therefore government should aim at reducing stock position to roughly half its present level without adversely affecting the farmers. This would need several legal and policy changes, discussed in section 5, which would enhance the role of private sector and make markets less distorted than these are at present.

# 7 Abbreviations

BPL.....	Below poverty line
DRDA .....	District Rural Development Agency
EAS .....	Employment Assurance Scheme
FCI .....	Food Corporation of India
IAY .....	Indira Awaas Yojana
ICMR .....	Indian Council for Medical Research
IRDP .....	Integrated Rural Development Programme
JRY .....	Jawahar Rozgar Yojana
MDM.....	Mid-day Meal Programme
MLA.....	Member of Legislative Assembly
PMGY .....	Pradhan Mantri's Gramodaya Yojana
PRI.....	Panchayati Raj Institutions
PWD .....	Public Works Department
TPDS .....	Targeted Public Distribution System
UP .....	Uttar pradesh