



FEBRUARY 2005

Food Security in India Policy challenges and responses

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- While poverty in India is falling, concerns over food security are increasing. According to recent surveys, 44% of households are deficient in calorie intake.
- Spending on the Public Distribution Scheme has risen dramatically in recent years, but much of this reflects increasing operational costs; in effect, the government's procurement operation has simply withdrawn foodgrain from the market.
- The government needs to supplement the provision of food security (through a universal or targeted approach) with a mix of short- and long-term policies.
- In the short term, there needs to be a recognition that food insecurity stems from lack of opportunity. There is a need to ensure employment opportunities for at least one able-bodied member of a household. For children, the midday meal scheme should be implemented in lagging states as soon as possible.
- In the long term, food security will result from the wider tackling of poverty. This will require improvements in infrastructure and time-limited targeted policies to improve rural farm and non-farm productivity.

Introduction

One of the greatest achievements of India has been to provide food security for its people. As recently as 1943, the Bengal famine claimed more than two million lives. The means by which India provides food security has recently come under review. The lessons of the debate are crucial both for India and for other countries striving to meet the nutritional needs of their people.

India's Public Distribution System¹

India's Public Distribution System (PDS) was introduced during the Second World War to address food security concerns in the face of scarcity, with the intention of maintaining price stability and checking dishonest practices in private trade. The scheme was initially heavily dependent on imported food. In the 1960s the coverage of the PDS was expanded owing to a food crisis.² The Green Revolution, coupled with favourable weather, led to the growth of comfortable buffer stocks in the 1980s, through the procurement operation of the Food Corporation of India (FCI), which in turn expanded the volume of foodgrain provided through the PDS.

However, despite its expansion, the PDS has been subject to various systemic problems and has faced increasing criticism since 1991:

- mismanagement has led to a massive increase in operational cost and to market distortion;³
- the scheme has an urban bias and has been criticized for neglecting the rural sector;⁴
- Below poverty line (BPL) households have not been properly covered owing to leakages through widespread corruption, illegal sales, creation of false cards and the use of facilities by better-off households.⁵

To tackle these problems, in 1992 the government introduced a Revamped Public Distribution System (RPDS) to reach poorer households with more varieties and quantities of foodstuff at cheaper prices.⁶

Acronyms and abbreviations

AIBP	Accelerated Irrigation Benefit Programme
APL	Above Poverty Line
BPL	Below Poverty Line
CACP	Commission on Agricultural Cost and Prices
CMIE	Centre for Monitoring Indian Economy
CMP	Common Minimum Programme
EGS	Employment Guarantee Scheme
FCI	Food Corporation of India
FSP	Food Stamp Programme
IRDP	Integrated Rural Development Programme
MDMS	Mid-Day Meals Scheme
MSP	Minimum Support Price
NGO	Non-governmental organization
NHDR	National Human Development Report
PDS	Public Distribution System
SHG	Self-help group
TPDS	Targeted Public Distribution System
UPA	United Progressive Alliance

However, Swaminathan (2000) noted that, despite limited success, foodgrain distribution among the targets under this scheme remained at a low level and full coverage of target households was never achieved.

In June 1997, a Targeted Public Distribution System (TPDS) was introduced. Special cards were issued to BPL families who were provided with subsidized foodgrains. Under TPDS, around 60m 'target' poor families were entitled to 10 kg of foodgrain per month.⁷ From 1 April 2000, the allocation to BPL families was increased to 20 kg per month at 50% of cost. However, the offtake of the two major foodgrains, rice and wheat, declined sharply, though it recovered slightly thanks to the *Antyodaya* scheme.⁸

TABLE 1: POVERTY RATIO, SHARE OF FOODGRAIN OFFTAKE AND UNEMPLOYMENT BY STATE (%)

State	Poverty ratio			Share of national foodgrain offtake		Unemployment	
	1983	1993/94	1999/00	1995	1998	1993/94	1999/00
Andhra Pradesh	28.9	22.2	15.8	17.1	11.5	1.1	1.4
Assam	40.5	40.9	36.1	5.4	4.2	-	-
Bihar	62.2	55.0	42.6	1.5	5.0	2.3	2.4
Gujarat	32.8	24.2	14.1	4.4	3.5	1.6	0.8
Haryana	21.4	25.1	8.7	0.4	0.6	1.6	1.2
Himachal Pradesh	16.4	28.4	7.6	1.1	1.3	-	-
Jammu & Kashmir	24.2	25.2	3.5	2.6	2.3	-	-
Karnataka	38.2	33.2	20.0	7.9	6.5	1.4	1.4
Kerala	40.4	25.4	12.7	11.6	11.5	7.7	8.6
Madhya Pradesh	49.8	42.5	37.4	2.3	3.4	1.3	1.1
Maharashtra	43.4	36.9	25.0	6.5	9.3	1.9	2.9
Orissa	65.3	48.6	47.2	3.7	5.4	2.1	2.6
Punjab	16.2	11.8	6.2	0.0	0.1	1.9	2.1
Rajasthan	34.5	27.4	15.3	3.5	2.6	0.5	0.8
Tamil Nadu	51.7	35.0	21.1	12.1	8.2	2.4	2.6
Uttar Pradesh	47.1	40.9	31.2	3.1	7.7	1.1	1.4
West Bengal	54.9	35.7	27.0	9.2	6.8	3.5	4.0
All India	44.5	36.0	26.1	100.0	100.0	2.0	2.3

Sources: NHDR (2002) and Swaminathan (2000).

TABLE 2: CALORIE DEPRIVATION, BY STATE, 1983 AND 1999/2000

States	Average calorie intake per capita per day (Kcal)		% consuming less than 2,400 Kcal per day	
	1983	1999/2000	1983	1999/2000
Andhra Pradesh	2,204	2,021	68.5	80.7
Bihar	2,189	2,121	67.6	74.9
Gujarat	2,113	1,986	72.6	80.5
Haryana	2,554	2,455	54.1	55.1
Himachal Pradesh	2,636	2,454	44.5	56.5
Jammu & Kashmir	2,569	2,631	44.5	39.7
Karnataka	2,260	2,028	64.0	78.9
Kerala	1,884	1,982	81.5	81.2
Madhya Pradesh	2,323	2,062	62.5	78.4
Maharashtra	2,144	2,012	73.1	83.3
Orissa	2,103	2,119	70.9	74.6
Punjab	2,677	2,381	46.2	62.8
Rajasthan	2,433	2,425	54.2	56.7
Tamil Nadu	1,861	1,826	80.6	86.5
Uttar Pradesh	2,399	2,327	58.4	64.5
West Bengal	2,027	2,095	76.0	75.6

Source: Meenakshi and Vishwanathan (2003).

The ongoing procurement operation of the government, coupled with lower offtake from the FCI reserve, has succeeded in creating an idle (but perishable) food mountain in the presence of hunger.⁹ In addition, the costs of storing surplus foodgrain have prevented FCI from undertaking productive spending.¹⁰

Food security: the current scenario

The decline in the poverty ratio between 1993/94 and 1999/2000 led the government to streamline foodgrain distribution through the TPDS.¹¹ Since 1997 there has been an increase in the offtake of relatively poorer states, demonstrating efficient targeting (see Table 1). However, even in states where the poverty ratio has fallen, unemployment has increased, suggesting that a significant proportion of the population is still threatened by a lack of access to a means of livelihood, and is potentially vulnerable to food insecurity. Falling per capita calorie intake has raised concerns over food security. The decline is particularly high in rural India, amounting to approximately 70 calories per person per day between 1983 and 1999/2000. Even richer states such as Punjab have not escaped the trend. The proportion of the population consuming under 2,400 calories per day has fallen in just a handful of states. Most states have witnessed a declining poverty ratio but increased calorie deprivation. Swaminathan (2000) argues that on average 44% of households are deficient in calorie intake while malnutrition among women and children is higher. Bhandari and Dubey (2001) arrived at a similar conclusion and argued that the poverty line be

recalculated on the basis of calorie requirements.¹²

Rising food prices may have caused poorer households to adopt less nutritious diets. In addition, while the downward bias in the construction of the poverty line celebrates the success of the poverty alleviation programme, it might be that a large section of people slightly above the line do not receive TPDS. The condition of people in relatively drought-prone regions and some backward states is a major area of concern.¹³

This has resulted in a need to review recent government policy initiatives to tackle the question of food security. In addition to the Mid-Day Meals Scheme (MDMS), three broad avenues are under consideration:

- the introduction of a food stamp programme (FSP);
- strengthening the existing PDS network;
- ensuring minimum livelihood opportunities by introducing an 'Employment Guarantee Act'.

Food Stamp Programme

The Tenth Plan (2002–07) Documents point out that the level of government subsidies granted on food rose from Rs24.5bn to Rs212bn between 1990/91 and 2002/03.¹⁴ Most of the increase has been spent on administration rather than on productive purposes. To check mismanagement of funds, while guaranteeing food security, the Tenth Plan Documents ask the government to explore the effectiveness of the FSP and proposed that each eligible household should be given documents specifying the number of household

members, their age and entitlement, which would determine the number of stamps given to them per month. The target households would then collect stamps each month from prescribed distribution centres and use them at the retail outlets to buy rice and wheat, and the state government would subsequently reimburse the retailers. The concept received support from an earlier analysis of Pursell and Gulati (1993). However, Swaminathan (2000, 2004) argued that this proposal would be over-targeted and exclude a significant proportion of eligible households:

The experience of other less developed countries clearly shows that if the objective is to achieve food security for the people, a targeted food stamp programme is a dangerous path to tread. Such a scheme will exclude a large number of needy persons from the food distribution system, erode the value of the subsidy to those who receive benefits and undermine the existing network of fair price shops. (Swaminathan, 2004)

The findings of Castañeda (2000) and others have lent support to this contention.

Strengthening the PDS network

Various groups have advocated strengthening the existing scheme by improving efficiency. The Committee on Long Term Grain Policy (2002), while acknowledging the extent of inefficiency and economic loss through FCI functioning, argued that universal PDS is the only means of addressing food security concerns. The committee warned the government against arriving at any hasty policy decision regarding FSP:

We have in the course of our discussions heard suggestions that the high food stocks require cessation of open-ended procurement and also that this may be an opportunity to dismantle what many

believe to be an expensive and outdated food security system. We have considered these views very seriously, and are forced to reject these. End of open-ended procurement at this stage would deal a severe, possibly a crippling, blow to farmers which may be followed by a blow to consumers in about two years' time. Despite the many sources of inefficiency which we have identified, particularly in the functioning of the FCI and the PDS, we are convinced that it is reform and not annulment of the existing system that should be on the agenda ... this (FSP) is a course which should be followed with considerable caution in view of the experience of other countries, and the possibility of counterfeiting ... The coupon system should not lead to a dilution of the Central Government's commitment to food security.

The committee recommended improving the PDS by modifying APL and BPL prices, redefining Minimum Support Prices, removing restrictive laws such as the Essential Commodities Act and eliminating barriers on private trade. The Tenth Plan Documents appear to prefer TPDS to the universal PDS, arguing that:

With a network of more than 4.62 lakh [462,000] fair price shops (FPS) distributing commodities worth more than Rs 30,000 crore [Rs300bn] annually to about 160 million families, the PDS in India is perhaps the largest distribution network of its kind in the world. This huge network can play a more meaningful role only if it ensures the availability of food to the poor households.¹⁵

However, Swaminathan (2004) concludes, 'In a country like India where the target group is very large, and where it is clearly important to focus on ensuring that the malnourished are reached, a universal scheme is better than a narrowly targeted scheme.' At present,

TABLE 3: OFFTAKE OF RICE AND WHEAT UNDER WELFARE SCHEMES (THOUSAND TONNES)

No	Welfare scheme	2000/01	2001/02	2002/03*
1	Annapurna	25	93	87
2	Earthquake	1,072	12	0
3	World Food Programme	5	150	32
4	Sampoorna Grameen Rozgal Yojana	33	1,883	5,476
5	Indigent People	0	17	8
6	Nutrition Programmes	18	135	122
7	Hostel SC/ST/OBC	0	83	102
8	Food For Work	544	2,836	118
9	Mid-Day Meal	1,493	2,076	1,511
Total		3,191	7,185	7,458

Source: Economic Survey (2002–03).

TABLE 4: STATUS OF MID-DAY MEALS SCHEME BY STATE (AS OF 12 JULY 2004)

Full implementation	Partial implementation	No implementation	No information
Andaman & Nicobar Islands Andhra Pradesh Chandigarh Chhattisgarh Dadra and Nagar Haveli Daman and Diu Gujarat Kerala Lakshadweep Madhya Pradesh Pondicherry Punjab Rajasthan Sikim Tamil Nadu Tripura Uttaranchal	Arunachal Pradesh Delhi Goa Haryana Himachal Pradesh Jharkhand Karnataka Maharashtra Meghalaya Orissa West Bengal	Assam Bihar Uttar Pradesh	Jammu & Kashmir Manipur Mizoram Nagaland

Source: Compiled from www.righttofoodindia.org/mdm/mdm_states.html.

the government is committed not to revert back to the universal PDS, but both PDS and TPDS may include or exclude recipients incorrectly.¹⁶

Employment Guarantee Act – the Maharashtra model

While the government is serious about providing affordable foodgrain to those in need, it hopes simultaneously to ensure employment opportunities in backward regions, to provide food security and to improve infrastructure through public-sponsored schemes. The Maharashtra Employment Guarantee Act, which has been in place for 25 years, is frequently advocated as a model for other states. While the scheme suffers from certain drawbacks, it has undoubtedly saved a huge population in drought-prone districts from hunger. The scheme is only costs around 1% of Maharashtra's GDP. Various food-for-work programmes are in force to augment food security through wage employment, and food grains are supplied to states free of cost for this purpose. However, it has been claimed that the selection procedure for workers is too arbitrary and that there is no universal floor level of employment duration. Nonetheless, Table 3 shows that the reach of welfare support programmes has increased since 2000/01.

The realized offtake, however, has fallen far short of expectations. The Tenth Plan Documents note: '... lifting of food grains for the scheme from Food Corporation of India (FCI) godowns has been slow.

Against an allocation of 35.31 lakh [3,531,000] tonnes of foodgrains, only 21.26 lakh [2,126,000] tonnes were lifted by the target states up to January 2002'. In addition, a significant proportion of the population is yet to be covered under the programme, and many of those who are covered appear unhappy with it.¹⁷

Mander et al. (2003) focused on the implications of the legalization of a universal Employment Guarantee Act throughout the country, especially in drought-prone areas, along the lines of the Maharashtra model. The study recommended:

- immediate guarantee of employment during summer months for at least one member of each family in drought-prone areas;
- ensuring strict timeliness in wage payments on relief works;
- ensuring full utilization of all employment-related funds including grain allocation from the central government;
- imposing restrictions on the use of labour-displacing techniques on relief sites.

The government accepted, in principle, the first three recommendations and is preparing a draft Employment Guarantee Act for the states. In addition, the study argued that the cost of legalizing a national scheme would not be a major burden for most of these, exceeding 3% of state domestic product only in four relatively poor states.¹⁸

Providing midday meals to children

Children are most vulnerable to food insecurity. The spread of education has helped combat poverty but the drop-out ratio remains very high among poorer groups, perpetuating food insecurity in poverty-stricken regions. The idea of providing midday meals to primary school children surfaced during the 2001 drought as a means of addressing drop-out rates and food insecurity at the same time. Government inaction led the People's Union for Civil Liberties (Rajasthan) to file a petition in the Supreme Court in April 2001 calling for immediate utilization of India's food stocks to prevent hunger in drought-prone regions, but not to restrict the operation to drought situations. The Supreme Court asked state governments to provide cooked midday meals to every child in primary schools and called for involvement of *panchayats* (elected local bodies) and NGOs in this exercise, as well as strengthening the working of other government programmes.¹⁹ However, a number of populous states have yet to introduce the MDMS and enforcement is partial in some states where rural poverty is quite high (see Table 4).

The Common Minimum Programme and government policies

The decline in food security was an issue in the 2004 general election. The Congress election manifesto focused on proper working of the PDS in backward regions and for BPL families, strengthening special schemes, creating grain banks and targeting malnutrition, while the BJP focused on providing higher allocations to food-for-work programmes. Following its election, the Congress-led United Progressive Alliance (UPA) promised to implement a basic set of social and economic development objectives during its tenure. Its Common Minimum Programme (CMP), announced in the last week of May 2004,²⁰ specifically addressed the need to tackle hunger and food insecurity:

- 'The UPA Government will immediately enact a National Employment Guarantee Act. This will provide a legal guarantee for at least 100 days of employment, to begin with, on asset-creating public works programmes every year at minimum wages for at least one able-bodied person in every rural, urban poor and lower-middle class household. In the interim, a massive food-for-work programme will be started.
- The UPA administration will ensure the fullest implementation of minimum wage laws for farm labour. A comprehensive protective

legislation will be enacted for all agricultural workers.

- The UPA Government will ensure that government agencies entrusted with the responsibility for procurement and marketing will pay special attention to farmers in poor and backward States and districts.
- A national cooked nutritious mid-day meal scheme, funded mainly by the Central Government, will be introduced in primary and secondary schools. An appropriate mechanism for quality checks will also be set up.
- The UPA will work out, in the next three months, a comprehensive medium-term strategy for food and nutrition security. The objective will be to move towards universal food security over time, if found feasible.
- The UPA Government will strengthen the Public Distribution System (PDS), particularly in the poorest and backward blocks of the country, and also involve women's and ex-servicemen's cooperatives in its management. Special schemes to reach foodgrains to the most destitute and infirm will be launched. Grain banks in chronically food-scarce areas will be established. Antyodaya cards for all households at risk of hunger will be introduced.
- The UPA Government will bring about major improvements in the functioning of the Food Corporation of India (FCI) to control inefficiencies that increase the food subsidy burden.
- Nutrition programmes, particularly for the girl child, will be expanded on a significant scale.
- After consultations with States, the UPA Government will ensure that all funds given to States for poverty alleviation and rural development schemes by Panchayats are neither delayed nor diverted.'

The CMP was more influenced by the Report of the Committee on Long Term Grain Policy than by the observations of the Tenth Plan Documents and did not explore the idea of introducing a FSP. Instead, it promised to strengthen the PDS and the FCI. Although achieving universal food security was projected as the ultimate goal, it seems obvious from the focus on backward regions that the government would continue on the track of TPDS. As well as the promises with a direct impact on food security, several other policies with an indirect impact were included. These consist of systemic reform to enhance rural credit, improving the functioning of labour-intensive rural industries with

significant forward and backward linkages, increasing investment in agriculture and extending social security to workers in the informal and unorganized sectors.

A month later, on 8 July 2004, the finance minister presented the 2003/04 budget and announced:²¹

- 'I propose to continue, and expand, the Antyodaya Anna Yojana. At present, 1.5 crore [15m] families are covered. These families are provided with 35 kg of foodgrains per family per month ... In the current year, I propose to cover 2 crore [20m] families.
- Work has begun on the National Employment Guarantee Act. The object is to guarantee 100 days of employment in a year to one able-bodied person in every poor household. The Bill will take into account the experience gained in Maharashtra. Government will also take care to avoid the pitfalls pointed out by responsible critics. My colleague, the Minister of Labour, expects that he would be able to introduce the Bill in Parliament shortly.
- I propose to launch a new Food for Work programme in 150 districts classified as most backward and identified as areas in immediate need of such a programme. Allocations under different schemes will be pulled together to support the Food for Work programme ... I

expect to increase the allocations substantially over the next four years. Special care will be taken in laying down the guidelines for the programme so that the money and labour expended result in durable and visible assets benefiting the whole community.

- Fair price shops constitute the backbone of the food security system for the poor. We shall address the weaknesses in the system and strengthen public distribution.'

The government also announced various proposals to enhance rural industries as well as urban heavy and small-scale industries. Self-help groups (SHGs) have played a major role in rural areas by providing micro-credit, allowing people to escape from debt. The minister announced a major upward movement in SHG activities: 'While the SHG concept will be promoted vigorously, I am of the view that matured SHGs may be in a position to graduate from consumption or production credit to starting micro-enterprises.'

However, the budget speech differed from the CMP in only one respect, in identifying the future instrument of food security concerns. Unlike the CMP, the budget proposed to explore the scope of an FSP, urging the states to come forward for a pilot project:

In the Tenth Plan document, the Planning Commission had suggested that a system of distributing food stamps should be tested on a pilot basis. Every eligible family will be entitled to collect its monthly quota

TABLE 5: STATE EXPENDITURE ON LABOUR AND SOCIAL SECURITY (% OF REVENUE EXPENDITURE)

State	Labour & employment				Social security, welfare & nutrition			
	1996/97	1999/2000	2001/02	2003/04	1996/97	1999/2000	2001/02	2003/04
Andhra Pradesh	0.39	0.30	0.28	0.27	6.73	7.05	3.50	3.81
Assam	0.45	0.38	0.37	0.27	2.04	1.51	1.64	1.33
Bihar	0.47	0.43	0.26	0.63	2.22	1.89	0.80	2.61
Gujarat	0.70	0.62	0.44	0.77	1.80	1.67	1.12	1.81
Haryana	0.53	0.73	0.62	0.56	3.03	4.19	4.93	4.61
Karnataka	0.27	0.46	0.38	0.25	2.91	2.42	2.42	2.43
Kerala	0.80	0.76	0.54	1.13	1.92	1.42	1.89	1.28
Madhya Pradesh	0.38	0.41	0.37	0.46	2.22	2.89	2.62	3.90
Maharashtra	0.71	0.82	0.48	0.47	1.86	1.21	2.26	1.85
Orissa	0.37	0.26	0.21	0.18	4.65	2.58	2.58	3.72
Punjab	0.52	0.49	0.40	0.32	1.05	1.32	0.89	0.81
Rajasthan	0.30	0.25	0.23	0.21	1.06	1.21	1.77	2.28
Tamil Nadu	0.54	0.51	0.49	0.48	4.92	5.32	5.35	4.96
Uttar Pradesh	0.43	0.38	0.29	0.36	1.43	1.44	1.41	1.76
West Bengal	0.34	0.31	0.24	0.23	1.73	1.90	2.37	2.54

of food stamps from a designated distribution centre, and such stamps could then be used to buy foodgrains from any food shop. I propose to introduce a pilot scheme for distributing food stamps, instead of distributing food through fair price shops, in two or three contiguous districts in a selected State. I sincerely hope that one of the States will come forward to associate with the Central Government in this experiment.

It is currently unclear whether the government will resort to TPDS or FSP to address food security concerns. However, the government has to reach a conclusion quickly. The Tenth Plan concludes, '... a system of food distribution running parallel with the current PDS could result in lack of accountability on the part of both. In the long run, therefore, there should be only one system.' On balance, an FSP is unlikely to be introduced.²² In a cross-country study Swaminathan (2000) demonstrates that the calorie intake of food stamp recipients is often adversely affected in times of high inflation, since the value of the stamps could not be quickly altered. Given the declining trend in the calorie intake, the introduction of an FSP might prove costly. Chakraborty (2004b) notes:

... the experiences of various developing countries suggest that the introduction of the FSP itself might not be a solution to persistence of hunger and nutrient deprivation in the country. Without regular government monitoring, FSP is susceptible to every problem faced by the PDS.²³

If TPDS is to be successful, *panchayats* and NGOs will need to be involved in the targeting process. One of the major reasons for the failure of PDS was inefficient targeting of households. With the involvement of the local governments and NGOs, which have a better track record,²⁴ the identification of recipient households should be more accurate.

TABLE 6: VILLAGES CONNECTED BY ROADS (%)

State	1991/2	1994/5	1996/7
Kerala	100.0	100.0	99.3
Punjab	99.1	99.5	97.3
Haryana	99.0	99.3	98.8
Gujarat	85.3	89.8	94.3
Andhra Pradesh	58.2	59.0	85.9
West Bengal	46.0	47.3	47.3
Uttar Pradesh	43.8	44.5	44.5
Orissa	35.7	37.9	37.9
Rajasthan	34.3	36.1	36.1
Madhya Pradesh	27.5	27.9	27.9

Source: CMIE (2003a).

Policy options and challenges

The Mid-Day Meals Scheme

Despite a Supreme Court ruling on 28 November 2001,²⁵ a number of states have yet to introduce the MDMS, and in November 2004 the Supreme Court asked the central government to ensure efficient functioning of this scheme in all states and union territories by 1 January 2005. In Assam, Bihar and Uttar Pradesh, the poverty ratio is above the national average; non-implementation has a significant impact on food security. The central government should force the states to initiate the scheme at the earliest opportunity. States which have partially implemented the scheme should be asked to comply with the Supreme Court directive without delay. Finally, anomalies associated with the working of the scheme should be removed. According to Roy (2004), in some states higher-caste students refuse to eat midday meals cooked by people from lower castes. An effective awareness-building campaign has to be initiated to remove social biases.

The Employment Guarantee Act

The Ministry of Rural Development is currently reviewing the draft of a National Rural Employment Guarantee Act, prepared by the National Advisory Council. The Act will come into effect on 1 April 2005. The broad features of the draft are as follows:²⁶

- Unemployed people need to submit completed application forms to the *gram panchayat* (village council), which will collect them and issue job cards, valid for five years, with the photograph of the card-holder attached.
- Within 15 days of the application, employment must be provided and a letter

TABLE 7: GROSS IRRIGATED AREA (ALL CROPS; % OF GROSS CROPPED AREA)

	1990/91	1992/3	1994/5	1996/7	1998/9
Andhra Pradesh	40.7	39.9	40.6	43.1	44.7
Bihar	40.0	54.5	44.6	46.0	47.3
Gujarat	27.5	29.3	32.5	33.1	35.3
Haryana	71.6	89.8	77.0	78.8	79.8
Karnataka	22.1	22.6	24.3	23.4	25.3
Madhya Pradesh	18.6	27.1	30.9	33.3	33.3
Maharashtra	15.2	15.5	15.8	15.4	15.5
Orissa	30.6	33.1	25.8	27.5	28.0
Punjab	94.1	94.6	95.1	94.1	92.2
Rajasthan	24.0	27.2	28.5	32.6	31.8
Tamil Nadu	43.6	47.9	51.1	51.8	54.9
Uttar Pradesh	58.0	65.6	68.9	66.8	66.4
West Bengal	22.1	22.4	28.6	27.5	26.8
India	34.0	36.0	37.6	38.7	39.2

Source: CMIE (2002).

issued to the recipient's address. Otherwise a daily unemployment allowance (one-third of the daily agricultural wage) must be issued. Travel allowance must be provided if employment is more than five kilometres from the applicant's residence.

- Employment will be provided to one person aged 18 and above per family in rural areas and in municipalities of types 'B' and 'C'.²⁷
- If the applicant does not report to the authority within 15 days from the date of joining, as specified in the letter, he or she will not receive employment.
- Wages will be provided as cash and/or commodities.

Dasgupta (2004) has pointed a couple of weaknesses in the draft act: its promise of employment to one person per household, irrespective of household size, means that larger families would not be guaranteed food security, nor are women guaranteed employment; and it does not ensure that there is a partial provision of cash.

The government also needs to consider the current position of state finances before enacting the provision. Most states have revenue and fiscal deficits: the continuity of the programme may be at risk if funds adequate for at least three years are not put aside.

Proportional expenditure on labour and employment has fallen in most states. While the decline in developed states such as Punjab, or states

such as Karnataka with a significant private sector, could be positive, it has raised concern in states such as Assam, Orissa or Uttar Pradesh. As well as focusing on the Employment Guarantee Act, state governments should also focus on other services which indirectly provide food security.

Food-for-work programmes

To improve long-run welfare, food-for-work programmes in backward districts have to be used productively. Debroy and Bhandari (2003) observed that connections between 69 backward districts and the rest of the economy are grossly inadequate, with poor national highways, state highways and railway networks. Poor infrastructure deters the private sector, making development dependent on public funds. The findings of Maitra (2001) support this contention: 'The welfare gains of paying the optimal wage in the EGS [Employment Guarantee Scheme] depend on how productive the EGS is, relative to the private sector.'²⁸ However, given the track record of the earlier adopted schemes, Lakshman (2004) warned against any procedural delays in delivery mechanism and noted that 'frequent monitoring and review of the performance of the administering institutions' were vital.

Relatively poorer states are also characterized by weaker connectivity (see Table 6). These districts are automatic candidates for the food-for-work programme. A major goal of the CMP was to improve infrastructure. It promised to attach 'the highest priority to the development and expansion of physical infrastructure like roads, highways, ports, power, railways, water supply, sewage treatment and sanitation'. Ministries with similar objectives should

coordinate better. The ministry of rural development should work with the ministry of infrastructure to direct the workforce towards infrastructure development. Similarly, calorie deprivation leads to poorer immunity and ultimately health insecurity. The ministries of health and rural development should work together to develop access to sanitation and safe water sources. These initiatives would provide employment and food security in the short run and be instrumental in alleviating poverty in the long term.

Improving agricultural productivity

Improving agricultural productivity would improve food security. However, even in green revolution states such as Punjab, productivity has declined in recent years.²⁹ Most states are net importers of foodgrains. Moreover, agriculture is widely considered to be a part of life rather than an economic undertaking – the continued use of traditional techniques has also resulted in lower productivity. In poorer states the coverage of irrigation is still very low, and government spending on irrigation has not improved.³⁰ An integrated policy framework needs to be formulated to facilitate the increased use of irrigation and the adoption of newer farming techniques.

The CMP acknowledged these concerns:

Irrigation will receive the highest investment priority and all on-going projects will be completed according to a strict time schedule ... The UPA Government will introduce a special programme for dryland farming in the arid and semi-arid regions of the country. Watershed and wasteland development programmes will be taken up on a massive scale.

The 2003/04 budget also provided funds towards the completion of semi-finished irrigation projects through the Accelerated Irrigation Benefit Programme (AIBP), introduced in 1996/7, and announced various rural credit-related provisions, which are expected to influence farmers' investment in land and farm machinery. The budget document called for agricultural credit to be doubled in three years, investment in rural infrastructure and the speeding up of irrigation projects.

In India, production patterns are heavily biased towards wheat-rice monoculture. To break this trend, the budget declared: 'The time has come to encourage our farmers to diversify into areas such as horticulture, floriculture and oilseeds', and promised to facilitate this diversification at an early date. Until recently, private participation in agriculture marketing was limited by regulations such as the Agricultural Produce Marketing Regulations Act and the Essential Commodities Act, which hindered rural regions from more value-added production.³¹ Modifications to the former act in 2003

have paved the way for increased private participation in agriculture through contract farming. Further reforms in the existing backdated regulations for improving agri-business are expected. The finance minister announced during the budget session,

India must become a single market for all products, particularly agricultural produce. The existing Acts governing agricultural produce marketing committees have outlived their utility. The Government has circulated a model law. So far, ten States have initiated legal or administrative action for 'direct marketing' and 'contract farming' arrangements in line with the model law. I urge all States to enact the model law at an early date.

Enhancing rural non-farm employment

In rural India, over-dependence on land has resulted in high levels of disguised unemployment, although the proportion of the rural population dependent on agriculture is declining.³² Enhancing rural non-farm employment by removing bottlenecks faced by village industries should be the cornerstone of any poverty alleviation scheme. The CMP stated:

The UPA Government will establish a National Commission to examine the problems facing enterprises in the unorganised, informal sector. The Commission will be asked to make appropriate recommendations to provide technical, marketing and credit support to these enterprises. A National Fund will be created for this purpose The UPA administration will revamp the functioning of the Khadi and Village Industries Commission (KVIC) and launch new programmes for the modernisation of the coir, handlooms, powerlooms, garments, rubber, cashew, handicrafts, food processing, sericulture, wool development, leather, pottery and other cottage industries.

The National Commission on Enterprises in the Informal Sector proposed under CMP has already started functioning. In addition, the government needs to introduce other policies to facilitate rural non-farm employment. Debroy (2004) noted that there exist various industry clusters with significant linkage effects in the rural areas, revitalization of which is essential for the economy. Future policy initiatives should adequately facilitate the working of these clusters by removing the bottlenecks they face.

Endnotes

- ¹ For a detailed analysis of PDS operation, see Swaminathan (2000).
- ² The Agriculture Price Commission (later Commission on Agricultural Cost and Prices, or CACP) and the Food Corporation of India (FCI) were established in 1965. The CACP was given responsibility to recommend the support price paid to the farmers and the FCI to undertake the procurement operation.
- ³ The *Economic Survey (1992–93)* observed that ‘while the public distribution system has to be continued to help the poor, the burden of subsidy on the central budget has also to be restrained’. However, this realization has not been reflected in the policy decisions adopted. Since 1997/98 the government, for populist reasons, always set the Minimum Support Price (MSP) payable to farmers at a higher level than the CACP recommended. Parikh et al. (2003) have shown that setting the MSP at a higher than market price has had a detrimental effect on the welfare of 80% of the rural population and all persons in urban areas. The situation led the Committee on Long Term Grain Policy (2002) to conclude: ‘The existing MSP system was developed with reference to a closed economy, and must obviously adapt to the context of liberalised trade.’
- ⁴ See Dev and Suryanarayana (1991).
- ⁵ According to the Tenth Plan document, ‘The PDS in its original form was widely criticised for its failure to serve the below poverty line (BPL) population, 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.’
- ⁶ Under this scheme the government of Maharashtra introduced a special action plan for backward regions by establishing mobile fair-price shops and introducing special prices and quantities for target households. Swaminathan (2000), p. 91.
- ⁷ The Tenth Plan document clarifies: ‘The emphasis is on including only the really poor and vulnerable sections of the society such as landless agricultural labourers, marginal farmers, artisans/craftsmen (potters, tappers, weavers, blacksmiths, carpenters etc.) in the rural areas and slum dwellers and daily wagers in the informal sector (porters, rickshaw pullers and hand cart pullers, fruit and flower sellers on the pavements etc.) in the urban areas.’ However, Swaminathan (2000) points out that the TPDS excluded households that have been defined as ‘poor’ under the Integrated Rural Development Programme (IRDP).
- ⁸ The Antyodaya Anna Yojana scheme, which was launched in December 2000, initially targeting 10 million of the poorest families.
- ⁹ Wheat offtake declined from 1998/99 to 2000/01 and rice offtake in 2000/01. However, from early 1998 to mid-2002, procured foodstocks were well above the prescribed minimum requirement level. The government procurement operation essentially withdrew foodgrain from the market.
- ¹⁰ The Committee on Long Term Grain Policy (2002) recommended: ‘All stocks of three years age and more and all grain bought under relaxed specification, including lustre loss, should be taken out of Central pool food stocks and not be offered to the PDS and other welfare schemes. The grain identified above should be sold immediately, in a phased manner, at commercial terms ... wheat acquired in 2001 should be liquidated by March 31, 2003. All grain unfit for human consumption should be disposed of as animal and poultry feed at formula rates, which if necessary may be reviewed downwards. These stocks are deteriorating because of shortage of storage space, but to hold these the Centre is spending more than what it expends on Agriculture, Rural Development and on Irrigation and Flood Control taken together.’
- ¹¹ The decline in poverty may well have been over-stated in the 55th round (1999/2000). For a detailed criticism of the methodology adopted in the 55th round, see Sen (2000) and Deaton and Dreze (2002).
- ¹² The poverty line considered for the National Sample Survey Organization (NSSO) 55th round (1999–2000) was Rs327 and Rs454 per month per capita for rural India and urban India respectively. In the 55th round, the prescribed calorie norms had been 2,400 Kcal and 2,100 Kcal per diem for rural India and urban India respectively. For details, see Jaya Mehta, ‘Poverty in India’, <http://lgamma.nic.fil~otammile/povindia.htm>.
- ¹³ The Committee on Long Term Grain Policy (2002) has warned, ‘A salient feature of India’s cereals situation is that most States are [in] deficit. Only five States produced surpluses of rice and wheat over consumption in 1999-2000. The remaining States were [in] deficit by more than a third of consumption. We expect deficits to enlarge in Southern and Western regions of India during the next two decades.’
- ¹⁴ The subsidy reached Rs251.6bn in 2003/04 and the budget estimate for 2004/05 stood at Rs277.5bn.
- ¹⁵ Planning Commission (2002), p. 367.
- ¹⁶ In a study of 21 tribal villages in Uttar Pradesh, Shankar (2004) found that despite acute poverty 73% of BPL cardholders did not purchase any foodgrain from the PDS and a large number of eligible households were not well aware how to use the facilities. It concludes: ‘This study also confirms the meagre availability of foodgrains which was 2.3 kg per month per BPL households. Nearly half of such households did not have a card. This raises the question as to how food security can be provided to vulnerable households.’
- ¹⁷ For instance, a leading NGO, Right to Food (<http://www.righttofood.com/>), notes the wide presence of corruption in the working of food-for-work schemes.
- ¹⁸ Uttar Pradesh (3.1%), Assam (4.3%), Bihar (6.1%) and Orissa (6.0%).
- ¹⁹ These include SGRY (Sampoorna Grameen Rozgal Yojana), AAY (Antyodaya Anna Yojana), NOAPS (National Old Age Pension Scheme), ICDS (Integrated Child Development Scheme), NBMS (National Maternity Benefit Scheme) and NFBS (National Family Benefit Scheme).

- ²⁰ The full text of the Common Minimum Programme is available at <http://www.thehindu.com/2004/05/28/stories/2004052807371200.htm>.
- ²¹ The complete text of the budget speech is available at www.finmin.nic.in.
- ²² An FSP on a limited scale has been applied in two states, without encouraging results. While the coupon system in Andhra Pradesh enhanced the welfare of the recipients, it still suffered from counterfeiting. According to Swaminathan (2004), Tamil Nadu discontinued its food coupon system (initiated in July 2002) because of huge public dissatisfaction with the way it functioned.
- ²³ Chakraborty (2004b) pp. 388.
- ²⁴ Nayak, Saxena and Farrington (2002).
- ²⁵ 'Ready for lunch?', <http://www.developments.org.uk/data/issue28/indian-lunch.htm>.
- ²⁶ A detailed discussion of the draft act as well as the criticism is provided in Dasgupta (2004).
- ²⁷ The scheme would be applicable to small towns with a population up to 20,000, with limited civic amenities.
- ²⁸ Maitra (2001), p. 223.
- ²⁹ Sidhu (2002) has observed that agricultural production and crop yields are stagnating in Punjab. Excessive use of chemical fertilizers and a near monocultural crop pattern have degraded the soil in the state.
- ³⁰ Chakraborty (2004a) has shown that the proportionate level of average annual development expenditure on irrigation has declined marginally during the ninth five-year plan period (1997–2002), as compared with that of the eighth plan (1992–7). An analysis of state finances using data from the Centre for Monitoring Indian Economy (CMIE) reveals that state expenditure on irrigation and flood control, expressed as percentage of overall revenue expenditure, increased between 1996/97 and 2003/04 only in the case of Andhra Pradesh, Haryana and Punjab.
- ³¹ See Chakraborty (2003) for a brief discussion of the two acts, and the problems associated with them.
- ³² Saqib and Chakraborty (2004).

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