

# Synergizing Government Efforts for Food Security

N.C. Saxena

## *The 1990s vs the 1980s*

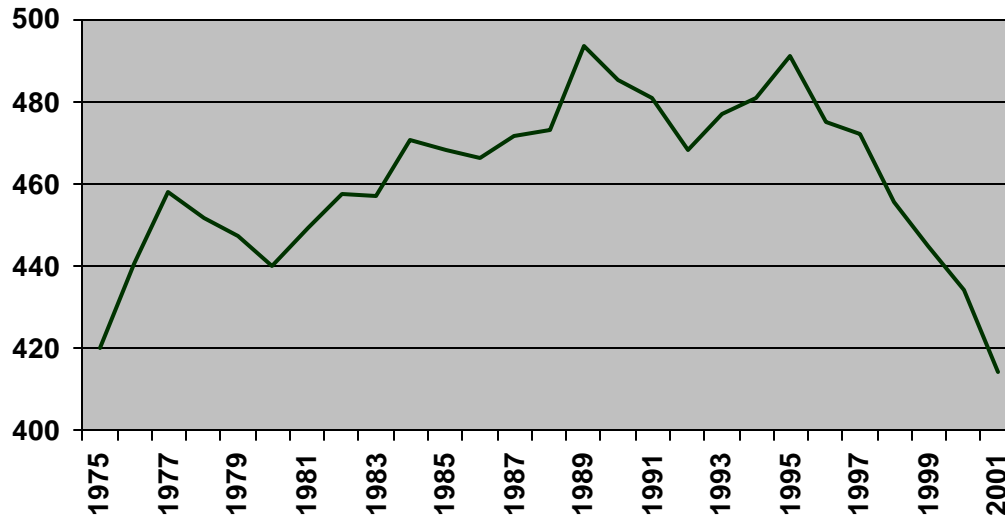
**Production** - Growth of agriculture in India decelerated during the 1990s (1989-90 to 1999-2000), as compared to the 1980s (1979-80 to 1989-90). The overall growth rate of crop production declined from 3.72 per cent per annum to 2.29 per cent per annum and productivity from 2.99 per cent per annum to 1.21 per cent per annum. The comparison is sharper for foodgrains, as during the 1990s the growth rate of foodgrains production declined to 1.92 per cent per annum from 3.54 per cent per annum during the 1980s. Similarly the growth rate of productivity in foodgrains decelerated to 1.32 per cent per annum as compared to 3.33 per cent per annum during the 1980s (GOI 2002). The picture has become worse if the first two years of the present decade are taken into account, as agricultural production has been stagnant for the last four years.

As regards the main crops, production of rice, which increased at the rate 3.48 per cent per annum in the 1980s, increased only by 1.87 per cent per annum in the 1990s. The rates of growth of wheat output during the same periods were 4.38 and 3.21 per cent respectively. Procurement of wheat accelerated at an annual compound rate of growth of 3.65 per cent in the 1980s and 9.64 per cent in the 1990s; that of rice increased at 5.5 per cent during these two decades. The overall impact of increased procurement (and stagnant disposal – except in the last two years) was that government food stocks in 2001 rose to an all-time high of over 60 million tonnes.

**Consumption** - 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.

Cereals contribute over 80% of calorie intake for the lowest decile, against approximately 50% for the highest. Calorie consumption of the last decile has marginally declined from 1893 in 1993-94 to 1890 in 1999-00, whereas for all classes it increased from 2542 to 2632 (MSSRF and WFP, 2002: Food Security Atlas of Urban India) in the same period.

### Per capita daily foodgrain availability in grams



The poorest three deciles of the population consumed 11.76 kg of foodgrains per month against 14.77 kg for the top three deciles in 1993-94, whereas the middle 40 per cent consumed 13.61 kg per month (Saha, 2000). So long as a significant cereal gap between the top and bottom end of population persists, falling foodgrain availability must be taken seriously, as lower consumption by the poor cannot be a matter of choice, it must be viewed in terms of distress.

At the same time the level of foodgrains stock with the FCI has been increasing, signifying lack of purchasing power with the poor, and distorted food security policy. The Abhijit Sen Expert Committee has also concluded that 'the present excess stocks are more accurately attributed to a fall in consumption than to increased production'.

This may have happened because of the structural imbalances (rising capital intensity, lack of land reforms, failure of poverty alleviation programmes, slow growth in rural non-farm sector, growing disparities, 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. 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. 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 10<sup>th</sup> Plan unachievable.

#### Suggestions for future

Since the number of officially declared poor people is only 261 million in the country, bridging the gap of 3 kg between the top 30% and the bottom 30% would require only  $261 \times 3 \times 12 / 1000$ , or less than 10 million tonnes of foodgrains to wipe off hunger and food based poverty from India. This is very much within the resources available with the state – both financial and physical. Several steps need to be taken in the short to medium term to improve consumption of the poor by 10 million Tonnes. These are:

- Improve the implementation of food based schemes
- Correct the price distortions by lowering MSP
- Improve the policy framework of procurement of foodgrains
- Improve agricultural production in poorer regions
- Push non-farm economy to increase purchasing power of the poor, &
- Improve governance to achieve the above.

### ***Food based schemes***

The number of food based schemes have increased lately, so have leakages, which have started affecting farmers. Had it resulted in improved consumption of the poor and hungry, grain markets would not have been distorted. Many suggestions have been given in my paper on the Supreme Court intervention on schemes, such as MDMS, Annapurna, etc. Here we will confine ourselves only to the two largest schemes; TPDS and SGRY.

### **TPDS**

The total off-take of foodgrains through PDS shops which was 19.66 million tonnes in 1996-97 has hardly improved in the last seven years (see Table 1), despite a massive increase in food subsidy from 6,066 crores in 1996-97 to 24,000 crores in 2002-03 (Economic Survey, 2003). The Centre is spending more on food subsidy than what it expends on Agriculture, Rural Development and on Irrigation and Flood Control taken together, but benefits to the poor are hardly satisfying.

The picture is even more dismal when a state-wise disaggregation is done, as the poor states have failed to lift their quota, or distribute it well to the needy. 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 distribution to the BPL families, the scheme has not made any impact on the nutrition levels in these states.

Some of the suggestions to improve distribution are:

- The poor should be permitted to buy in instalments. Though on paper it is permissible, but the shops do not open even once a week in the rural areas.
- The quality of foodgrain supplied through the PDS leaves much to be desired. The problem has arisen partly due to relaxed specification of quality during procurement. 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.

## CORRUPTION IN THE PUBLIC DISTRIBUTION SYSTEM: A CASE STUDY

*A recent public hearing in Shankargarh (a remote tehsil of Allahabad district) exposed massive corruption in the public distribution system. The corruption is institutionalised and built into the system.*

It is no secret that large quantities of grain meant for distribution to BPL households in Shankargarh are being sold on the black market. Even the *kotedars* (dealers) openly admit this. Asked about the likely extent of black-market sales, one kotedars said, "*koi seema naheen hai*" ("there is no limit").

The kotedars themselves are caught in a web of corruption. At every step they have to pay bribes: to get a licence, to lift their quota from the FCI, to keep the inspectors at bay, etc. Further, the official "commissions" paid to the kotedars are too low to make their operations viable. Thus, selling grain on the black market has become a *necessity* for the kotedars. As one of them put it, "the government is making thieves of us".

One kotedar gave the following account of the bribes and other illegal charges that have to be paid for each quintal of grain sold through the PDS:

payment to the <i>godam prabharee</i> :	Rs 10/Q1
payment for <i>tolai</i>	Rs 3/01
payment to the supply inspector	Rs 10/Q1
payment to the "supply babu"	Rs 10/Q1
payment to the SDM	Rs 5/Q1
<b>TOTAL</b>	Rs 38/Q1

To this, one has to add about Rs 10 per quintal for fraudulent weighing at the FCI godown, and another Rs 10 per quintal (at least) for transport charges. The grand total comes to **Rs 58** per quintal.

As against this, the official commission is only Rs 6 per quintal (dealers buy wheat at Rs 4.59 per kg from the FCI and are supposed to sell at Rs 4.65 per kg). This implies a *loss* of Rs 52 per quintal. If this is to be "recovered" through black-market sales, a dealer has to sell *about half of his quota* on the black market (where he earns a margin of about one rupee per kg).

According to the manager of the FCI mini-godown in Shankargarh, in February 2002 about 900 quintals of wheat were lifted by the kotedars under the BPL quota. Yet when we visited the villages, we did not find a single household that had received any grain from the PDS in recent months.

Source: Testimonies presented at a public hearing on the right to food, held in Shankargarh on 9 April 2002; and further investigations by Sankalp a local NGO.

- 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. One should restore consumer confidence in the quality of public stocks by segregating for early commercial disposal all old and relaxed quality grain from the Central Pool and from the PDS, as suggested by the Sen Committee.
- The Fair Price Shops 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, and certainly not committed to the interests of the poor, or driven by markets. It would be better to give these shops to already well established shops, than to relatives of politicians or those who can bribe the decision makers.
- There is lack of infrastructure and shortage of funds with government parastatals in most states except the few in west and south. 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.
- A drive should be launched to weed out ghost ration cards and check that all poor people have ration cards with them. Even in urban areas the poorest may have been left out of the safety net programmes. It was observed by the author in Maharashtra that the homeless have not been given ration cards, although they have been living on the footpath or unrecognised slums for years. Many of them may be even eligible for Antyodaya cards. Similarly migrant population is left out, although they may be living for more than 3 months continuously at a place.

**Table 1: Offtake of foodgrains from central pool (in million tonnes)**

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03*
Food subsidy (in crore Rs)	6066	7900	9100	9434	12060	17612	24000
Offtake through ration shops	19.66	16.98	18.69	16.97	11.67	12.14	11.09
Through other beneficiary schemes	NA	2.08	1.36	1.53	3.23	8.86	9.87
Total	19.66	19.06	20.05	18.5	14.9	21	20.96
Open market sale		0.06	0.68	4.55	1.49	5.6	4.16
Exports		0	0	0	1.49	4.7	9.68
<b>Total</b>		<b>19.12</b>	<b>20.73</b>	<b>23.05</b>	<b>18.21</b>	<b>31.3</b>	<b>34.8</b>

\* Only up to December, 2002

- In most states self-help groups are emerging as a viable unit of action. These could be persuaded to run food banks, and can be given food loans by government, to be returned at the time of the crop.
- Although GoI has permitted NGOs to run food based schemes, in actual practice very few states are using the expertise and commitment of the civil society in formulating and implementing food for work or other such schemes. It would be better if this is monitored and best practices publicized, so that reluctant states may also be persuaded to involve the NGOs in this task.

### **SGRY**

Under the Sampoorn Gramin Rozgar Yojana (SGRY) 5 million tonnes of foodgrains worth Rs 5,000 crore is to be made available by GoI to the states annually. Actual offtake during 2001-02 & 2002-03 (up to Dec 2002) has been 4.72 and 5.48 mT, which is quite satisfactory. In the budget allocation of the Rural Development Ministry for the year 2002-03 there was originally no provision at the BE stage for the cost of foodgrain, but it was provided through the supplementary. Similar procedure is being followed for 2003-04. This uncertainty leads to delays, and it would be better to provide for the food component at the BE stage itself so as to avoid delays in payment of wages.

In flagrant violation of the guidelines, in many States projects are being executed by using excavators, trucks and tractors instead of more labour intensive approaches. This is being done with full knowledge of the senior officials. For example in one of the study (Deshingkar and Johnson 2002) in Krishna district – out of 54 works, excavators were employed in 40 cases. Poclaines (the trade name for a kind of earth excavator) are becoming the preferred machine for undertaking a variety of village works through all kinds of programmes from the point of view of the rich who own the machines and hire them out for public works. One Poclaine can displace 17x8 persons in an eight hour day (at 17 person-days per hour), whereas it costs Rs 800 to hire a Poclaine for an hour. The ideal policy should be to discourage its use even by construction Ministries, such as Railways and CPWD, and compensate them financially to build incentives for employing more manual labour. However, the reverse is happening. Not only labour is being displaced in the so-called employment oriented schemes, food meant for the poor is then sold in the market, thus distorting market for farmers.

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. The list of workers along with the number of days they have been given jobs under SGRY should be compulsorily hung in each office of the Gram Panchayats and outside each school in the village.

SGRY should be limited only to those districts where minimum agricultural wages are at least 25% below the statutory minimum wages fixed by Government.

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 SGRY 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%.

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. The publication in newspapers will improve transparency. Similarly, all departments getting SGRY funds should 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 should be made available to all concerned. In addition, the entire information should be put on the website of the district and should be made available in the electronic form to the prominent NGOs of the district, who can then carry out spot checks.

### ***Price distortions & MSP***

Greater local supervision and a clear enunciation of entitlements could reduce leakages, but only to a limited extent. All such suggestions will mean cosmetic changes only unless one confronts the basic issue of the Minimum Support Price (MSP).

High procurement price and unloading of foodgrains in the market at a throw-away price has meant that often foodgrains meant for SGRY or other such schemes are sold back illegally to government (Outlook, 26<sup>th</sup> August, 2002). To correct this price distortion market price should be higher than the PDS price, which in turn should be higher than the support price for farmers. The reverse is the picture today; support price for wheat and common rice is 6.4 Rs and 8.2 Rs per kg, whereas the issue price for various schemes varies from 2 to 4 Rs for wheat and 3 to 6 Rs for rice, with market price ruling somewhere in between.

A recent study (Parikh et al. 2003) that examined the consequences of increasing the MSP of wheat and rice by 10 per cent shows that it leads to decline in overall GDP, increase in aggregate price index and reduction in investments. Even the increase in agricultural GDP resulting from higher MSP dwindles rapidly and only a minuscule positive impact on agricultural GDP remains by the third year. More importantly, in terms of welfare the bottom 80 per cent of the rural and all of urban population are worse off.

Therefore MSP should be reduced to a level comparable with international prices. 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.

This will also 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 much leakages.

Contrary to popular belief, there has been significant jacking of MSP at the political level only in a few years, otherwise the price recommended by the CACP (Commission on Agricultural Costs and Prices) have generally been accepted with some marginal upward movement (especially for wheat) for the sake of publicity, as

shown in Table below. Therefore the formula for calculating the input costs should be changed, and be more realistic. Continued setting of MSP at C2 levels means that returns to family labour, land and capital are determined by the government rather than the market. This is not compatible with market economy principles. It should aim for A2 which covers the cash costs incurred that could serve as a true safety net for farmers.

Moreover, the CACP should calculate the cost for not only Punjab and Haryana, which are high cost regions, but also for east UP and other such regions, where more labour and less capital is used to get the same output of grain.

**Table 2: Procurement Prices for Fair Average Quality Wheat and Paddy (Rs/Quint)**

CropYear	Paddy		Wheat		Wholesale price index
	CACP	Government	CACP	Government	
1990-1991	205	205	200	215	74.3
1991-1992	235	230	225	225	84.3
1992-1993	260	270	245	250	90.2
1993-1994	310	310	305	330	100
1994-1995	340	340	350	350	117.1
1995-1996	355	360	360	360	122.2
1996-1997	370	380	380	380	128.8
1997-1998	415	415	405	475	134.6
1998-1999	440	440	455	510	141.7
1999-2000	465	490	490	550	150.9
2000-2001	510	510	550	580	159.2
2001-2002	520	530	580	610	161.8
<b>% increase since 1990</b>	<b>154</b>	<b>159</b>	<b>190</b>	<b>184</b>	<b>118</b>

As surpluses decline from Punjab-Haryana due to reduction in MSP, it will be essential to realise the potential for production surpluses in Central and Eastern India where presently prices are below full costs of production. A basic focus of policy should therefore be to ensure effective price support in States and areas with future production potential. In January 2002 the author found that farmers in east UP were getting only Rs 330 to 350 per quintal for paddy whereas Punjab farmers were getting 540 for the same crop. In other words, the MSP should truly be a national level floor price, rather than remaining confined to established surplus regions.

In addition we consider it vital to shift FCI's focus to East and Central India. If decentralisation has to proceed to its logical conclusion in the long-term, the entire subsidy in the PDS has to be devolved to the States (Sen 2002). This can be done by giving States in cash the difference between the full State-specific economic cost and the CIP on their entire PDS distribution, in addition to the cash component already provided for the poor.

To persuade Punjab and Haryana to move away from wheat and rice, government would have to take three steps. One, to reduce MSP, so that there is economic incentive to move to other crops. Two, to give a part of food subsidy thus saved to farmers in these regions as compensation for the first few years. And three, ask the state governments to take over procurement, and keep surplus grain in state government account, with part of subsidy to be given to state government for storage etc. The surplus states will be free to export it, or sell it in deficit states, and thus make profits. State governments will like it, because their overheads are much less than that of FCI, which is a highly inefficient and expensive organisation, and the surplus states will be able to make profits, a part of which can be used to augment rural welfare for farmers in the State. This will also act as incentive to them to improve the quality of produce. At the same time, FCI should be asked to extend its operations to eastern and central India, where the benefits of MSP are hardly available to the farmers as of now.

The Sen Committee has worked out the economics of this package. The total compensation to both farmers and State governments would be at most Rs 6000 crore in the first year, and declining from this subsequently. As against this, the savings on acquisition and carrying costs on the reduced procurement, envisaged at about 10 million tonnes, will be about Rs 10,000 in the first year, Rs 12,500 crore in the second year, Rs 15,000 crore in the third year and so on, assuming that the entire reduction in procurement will save on additional stockholding. There may be further savings in subsidies which would have been required to dispose additional stocks. Thus reducing MSP will be truly a win-win policy with environmental benefits thrown in as a side fallout.

### ***Procurement of foodgrains***

New initiatives have been taken in India in the field of decentralised procurement of foodgrains. The decentralised procurement system, introduced in 1997, has been accepted so far by the state governments of West Bengal, Uttar Pradesh, Madhya Pradesh and now by Tamil Nadu. 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.

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.

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.

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.

On the whole, laws and controls have repressed private foodgrain marketing, undercutting its potential contribution to long-term food security. However, recently GoI has made some progress in liberalization of controls, and in order to facilitate the free trade and movement of foodgrains, the Government issued a Control Order titled, 'Removal of (Licensing Requirements, Stock Limits and Movement Restrictions) on Specified Foodstuffs Order, 2002' on 15 February 2002. The Order allows any dealer to freely buy, stock, sell, transport, distribute, dispose, acquire, use or consume any quantity of wheat, paddy/rice, coarse grains, sugar, edible oilseeds and edible oils, without a licence or permit. State governments would require the Centre's prior permission before issuing any order for regulating, by licences or permits, the storage, transport and distribution of the specified commodities. This Order needs to be given wide publicity.

### ***Improving agricultural production***

The present policy of producing foodgrains surpluses only in some regions and then transporting it to backward regions needs to be re-examined. It is far better to increase production in the deficit and backward regions, so that the poor there are not dependent on production in Punjab or government doles, but proud producers and consumers in their own right. Increasing foodgrain production in the neglected regions therefore not only compensate any drop in Punjab etc due to reduced MSP, but will sustainably increase consumption of the poor., as such production will be labour using and not so much capital using. Therefore one requires a fundamental change in the agricultural policy.

The policy approach to agriculture, particularly in the 1990s, has been to secure increased production through subsidies on inputs such as power, water and fertiliser, and by increasing the minimum support price<sup>1</sup> rather than through building new capital assets in irrigation, power and rural infrastructure, or improving the standards of maintenance of existing assets<sup>2</sup>. Terms of trade for agricultural products have been generally moving in favour of agriculture after 1985-86, though in the earlier period 1974-75 to 1984-85 they had moved sharply against agriculture. On the contrary, public investment in agriculture has been consistently falling since 1980, though it showed an increasing trend in the earlier two decades.

<sup>1</sup> The average excess of actual procurement prices announced for wheat over cost of production during the 1980s was 63%, which increased to 96% during the 1990s. A similar trend is observed in the case of rice.

<sup>2</sup> Some estimates, for instance, indicate that only 30% -40% of water entering irrigation channels actually reaches end-users. One estimate is that a 10% improvement in water management efficiency would add 14 m hectares to the total irrigated area.

This has shifted the production base from low-cost regions to high cost regions, causing an increase the cost of production, regional imbalance, and increasing the burden of storage and transport of foodgrains.

The equity, efficiency, and sustainability of the current approach are questionable. The subsidies do not improve income distribution and the demand for labour. Agricultural markets remain highly regulated, and the management of price support, subsidised food distribution and leakages have further killed the market for foodgrains for farmers in deficit areas. The boost in output from subsidy-stimulated use of fertiliser, pesticides and water damages the aquifers and soils – an environmentally unsustainable approach that may partly explain the rising costs and slowing growth and productivity in agriculture, notably in the Punjab and Haryana. The use of scarce and costly irrigation water in semi-arid areas for highly water-demanding crops such as paddy and sugarcane instead of concentrating these in areas having high local water availability needs to be redressed by appropriate fiscal measures. The limited availability of low-cost sources of farm power (mainly for irrigation) such as electricity has led to high investment in more costly sources such as diesel engines, which is socially suboptimal.

Moreover, deteriorating State finances have meant that subsidies have, in effect i) “crowded-out” public agricultural investment in roads and irrigation and expenditure on technological upgrading; ii) limited maintenance on canals and roads, and iii) contributed to the low quality of rural power. These problems are particularly severe in the poorer States. Although private investment in agriculture has grown, this has often involved macroeconomic inefficiencies (such as private investment in diesel generating sets instead of public investment in electricity supply). Instead of seeking low cost options that have a lower capital-output ratio, present policies have resulted in excessive use of capital on the farms, such as too many tubewells in water scarce regions, and use of chemical fertilizers in place of organic manuring.

The intensity of private capital is in fact increasing for all class of farmers, but at a faster pace in Green Revolution areas and for large farmers. Thus, fertilisers, pesticides and diesel accounted for a mere 14.9% of the total inputs in 1970–1 but 55.1% in 1994–5. For a large farmer in commercialised regions their contribution could be as high as 70%. But the proportion of output sold has increased at a much slower rate than the proportion of monetised inputs, including hired labour. The implication of this is a resource squeeze in agriculture. Whereas the need for resources to purchase these inputs has been increasing, the marketable surplus has been increasing at a slower rate to contribute to this, as the growth of non-farm employment has become very sluggish. It is not surprising that the repayment of loans is a severe problem in Indian agriculture and has even led to suicides in some cases. A better strategy would be to concentrate on small and marginal farmers, and on eastern and rainfed areas where returns to both capital and labour are high. The need is also for better factor productivity in agriculture and for new technologies, which would be more labour intensive and would cut cash costs. However, a major question is whether substantial and equitable productivity gains in agriculture can be made there without significant improvement in the quality of governance in these States, an issue that we have examined elsewhere (Saxena and Farrington 2003).

Another set of recommendations would be to look at increasing concentration of land.

The gini coefficient for operational holdings has increased in the eighties, and this trend may have been further intensified in the last ten years. The distribution of operated area happens to be less unequal than owned area at all points of time since smaller holdings predominate as lessees. Over time, however,

the trends in the concentration in operated area has shown a pattern which is nearly similar to that of owned area and from 1971 onwards, the gap between the two Gini ratios has narrowed. At the all-India level the Gini ratio for operational holdings declined during 1950s and remained stable during 1960s. However during 1970s and 1980s there has been a significant and steady increase in the concentration ratio of operated area. The Gini ratio increased from 0.587 in 1971 to 0.624 in 1981 and further to 0.641 in 1991. The concentration in operated area thus has increased at faster rate during the 1970s, followed by the 1980s, which coincided with technological change in agriculture in India. Rising inequality in operation of land further dampens the demand for foodgrains.

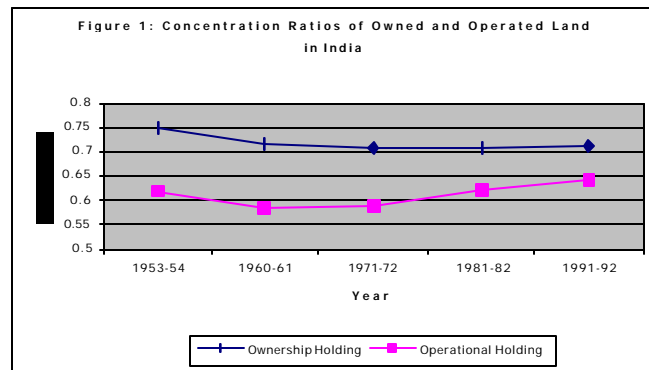
Canal systems are in poor shape for lack of operations and maintenance outlay. These should be improved by stepping up plan allocations for maintenance, involving users' groups in management, and appropriate pricing of water to cover operation and maintenance costs.

One should also increase women's access to productive land by regularising the existing leasing and sharecropping arrangements. Moreover changing inheritance laws that discriminate against women, encouraging collective efforts in bringing wastelands under cultivation and providing policy incentives to women in low-input subsistence agriculture, will have immediate benefits in terms of household food security and women's empowerment.

And lastly, eastern and central region should be the focus of attention during the next 10 years, as discussed below.

**Minor irrigation in eastern region** – Much of the decline in poverty during the 1980's was due to rise in paddy production in the eastern India. However, collapse in the supply of electric power in this region in the last ten years combined with no new breakthrough in seeds and technology has led to plateauing of yields. Stimulating ground water development is crucial to kick-start the Green Revolution in this region as only 1/5<sup>th</sup> of ground water resource is being utilised.

The long term solution will therefore be to improve the power situation in rural eastern India, both in terms of quality and quantity. In the short run, subsidy schemes already being run by governments can be made more effective. Studies have revealed that diesel (though more expensive than electric power) pump subsidy schemes operated by the State Governments have fared poorly due to lengthy, irksome and complex procedures and heavy transaction costs which leave little real subsidy for the farmers. East Indian States should reform their pump subsidy scheme to ameliorate



the pump capital scarcity that lies at the heart of the problem. It is also equally important to promote cost effective improved manual irrigation technologies, such as treadle pump, for the sub-marginal farmers.

**Watershed and wasteland development** -- Evaluation reports have shown that watershed projects cannot succeed without full participation of project beneficiaries and careful attention to issues of social organisation. This is because success depends on consensus among a large number of users. Moreover, collective capability is required for management of commons and for new structures created during the project. Then the costs and benefits of watershed interventions are location-specific and unevenly distributed among the people affected. Unfortunately most projects have failed to generate sustainability because of the failure of government agencies to involve the people. Field staff has no incentive to make the effort to pursue participatory approaches. Pressure to spend substantial resources by a fixed deadline does not enable peoples' capability to develop. Strict orientation to achieving physical targets discourages field staff from taking the time to promote peoples' participation. There is continued insecurity about availability of funding at the grassroots level, as there is no guarantee that funds would be released in time by GOI or other funding agencies. There is also no arrangement for handing over of structures and maintenance of plantation after a project is completed.

Successful programmes that have adopted participatory approaches share the following characteristics:

- They devote significant resources to social organisation
- A high proportion of staff members have experience and skills in social organisation
- Project leaders are fully committed to participation and, in most cases, donors or senior officials place pressure to adhere to participatory approaches
- Project monitoring explicitly checks whether social organisation is pursued
- Staff members have an incentive to undertake participation
- Communities being organised have some capacity to influence how the field staff work

These measures in the 10th Plan can increase demand for foodgrains by the poor, improve their consumption, put agriculture in backward regions on a higher growth trajectory as well as trigger growth in other sectors, besides reduce poverty. Improving the performance of PDS in food insecure regions, while necessary and desirable, is not easy without strong political and administrative support (Sharma 2001). This does not seem to exist everywhere and is not easy to generate. Focussing on production based schemes may be administratively and politically a better idea.

### ***Summing up and delivery issues***

We discussed in this paper several schemes of GOI aimed to alleviate household malnutrition. The total expenditure on such schemes may be more than 30,000 crores in a year, of which roughly 400 crores may be external contribution. However, inefficiencies in their operation result in limited impact. Backward regions suffer in many ways; first, because FCI operations are not extended to these regions (FCI buys paddy from farmers only in the Punjab, Haryana, and Andhra Pradesh, elsewhere it buys rice from millers), second, poor do not get rations because of the malfunctioning

of the food based schemes, and third, the farmers suffer because of unloading of FCI stocks from the TPDS shops and Food for Work sites to the market thus depressing the market prices. Besides, most schemes suffer from 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.

The problem is more acute in the poorer states and the north-east. Unfortunately the poor are increasingly concentrated in the poorer States which are characterized not merely by low growth, but high corruption and by the near-total breakdown of the normal functions of government. There is growing recognition that, to improve economic access of the poor to food and to support people on trajectories out of poverty is not so much a matter of additional resources, as better policies, sound delivery mechanisms, and commitments from both from the Center and from the States to improve programme management and governance.

One of the ways to improve administration of food based schemes would be to do stakeholder monitoring and develop indicators for assessing public participation. Even a better idea would be to evolve a state-wise quantifiable index on the basis of certain agreed indicators such as number of school children being supplied mid-day meals, number of malnourished children, infant mortality rate, number of the old and infirm being supplied free rations, number of government officials prosecuted and convicted for corruption in such schemes, and so on. Some universally accepted criteria for good budgetary practices may also be included in the index. Once these figures are publicized states may get into a competitive mode towards improving their score. Central transfer of foodgrains should be linked to such an index to an increasing extent. Care will have to be taken that States do not resort to bogus reporting in order to gain a better share out of central resources.

There is a vested interest in administration all along the line in bogus reporting. For instance, according to NFHS -2 (1998-99), 21 percent children in Orissa under three years of age are severely malnourished. But the data collected by the state from districts shows that the percentage of severe malnutrition in the age group 0-3 years was only 3.8 percent in Sept 98 which came down further to less than 2 percent of the children weighed in Feb 2001! This kind of reporting defeats the very purpose for which information is collected. No learning takes place from this.

State governments should also be encouraged to conduct social audit of its food based schemes through well respected, knowledgeable and non-political bodies of individuals, who will involve in a transparent manner all categories of stakeholders. Special care will have to be taken to see that the composition of the social audit committees will command universal respect and will be above any party politics.

For as long as such commitment to improve delivery is not forthcoming from the States, and the Center remains reluctant to direct the recalcitrant States, there is little prospect in the States where the poor are increasingly concentrated that supply of more foodgrains will meet the needs of the poor, or that social protection measures will reach the intended beneficiaries.

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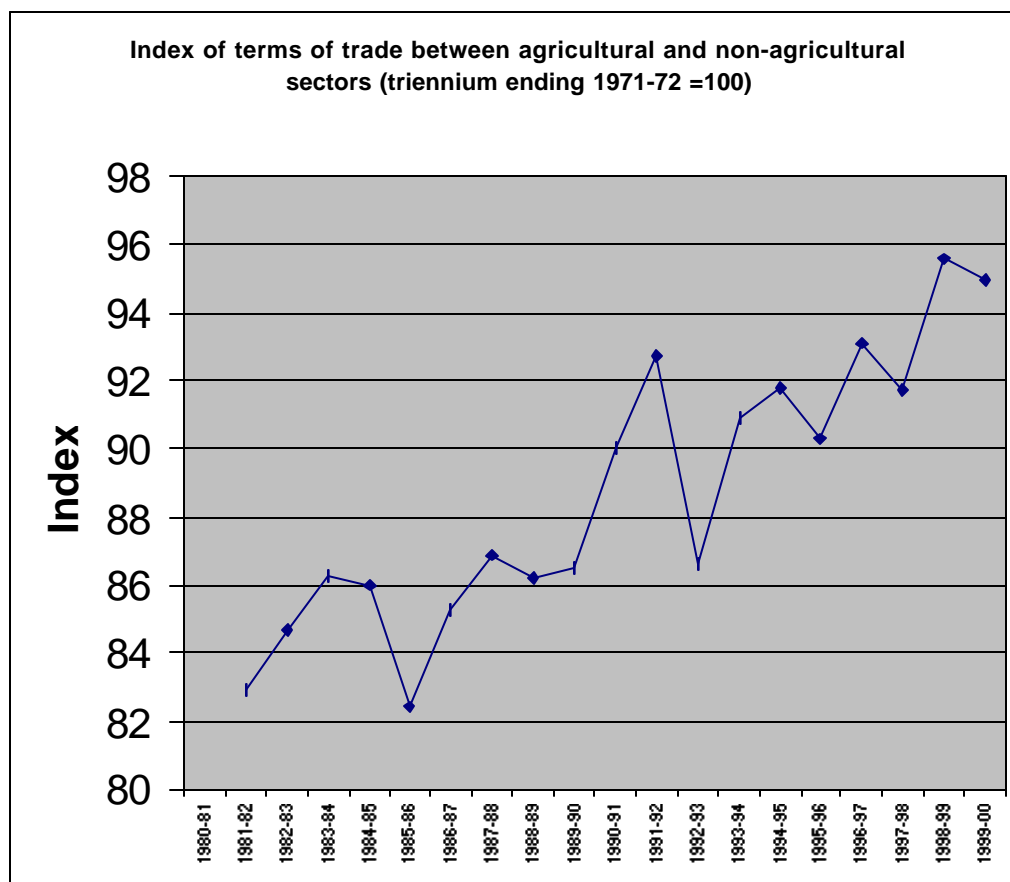
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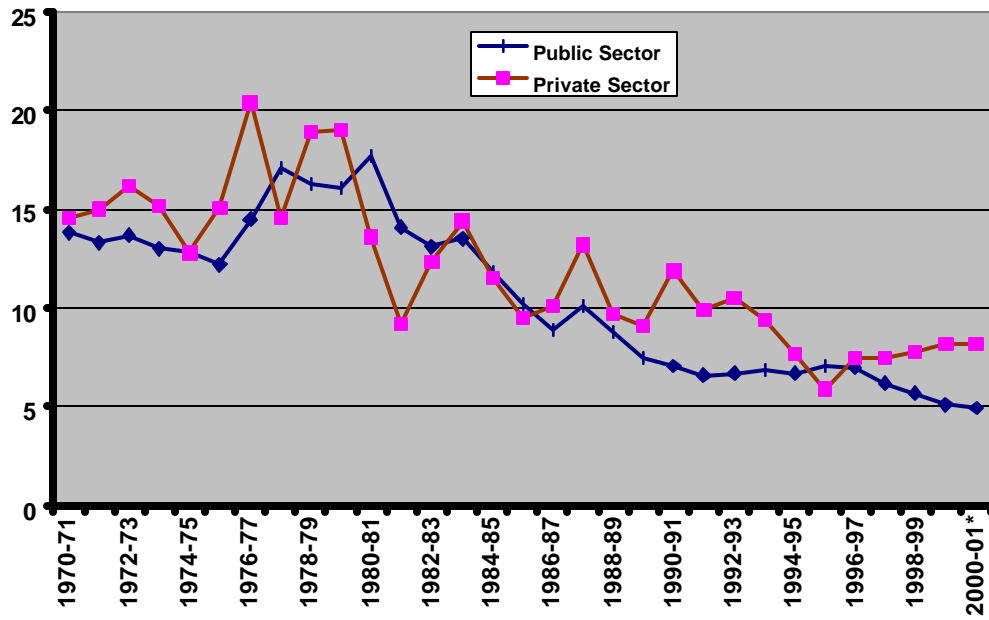
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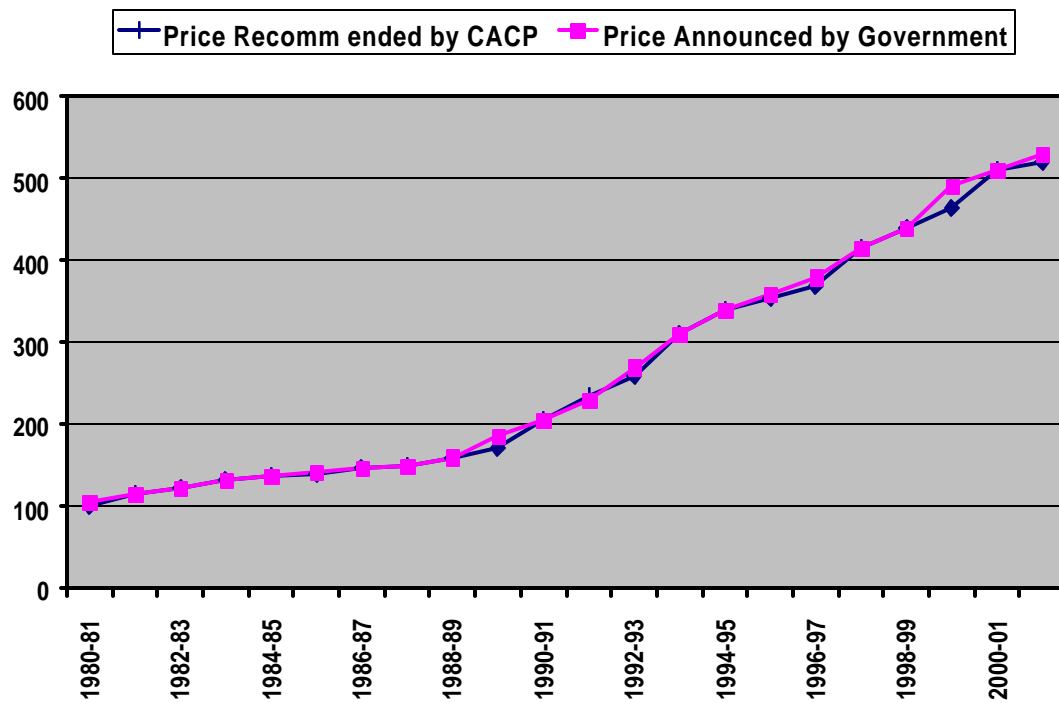
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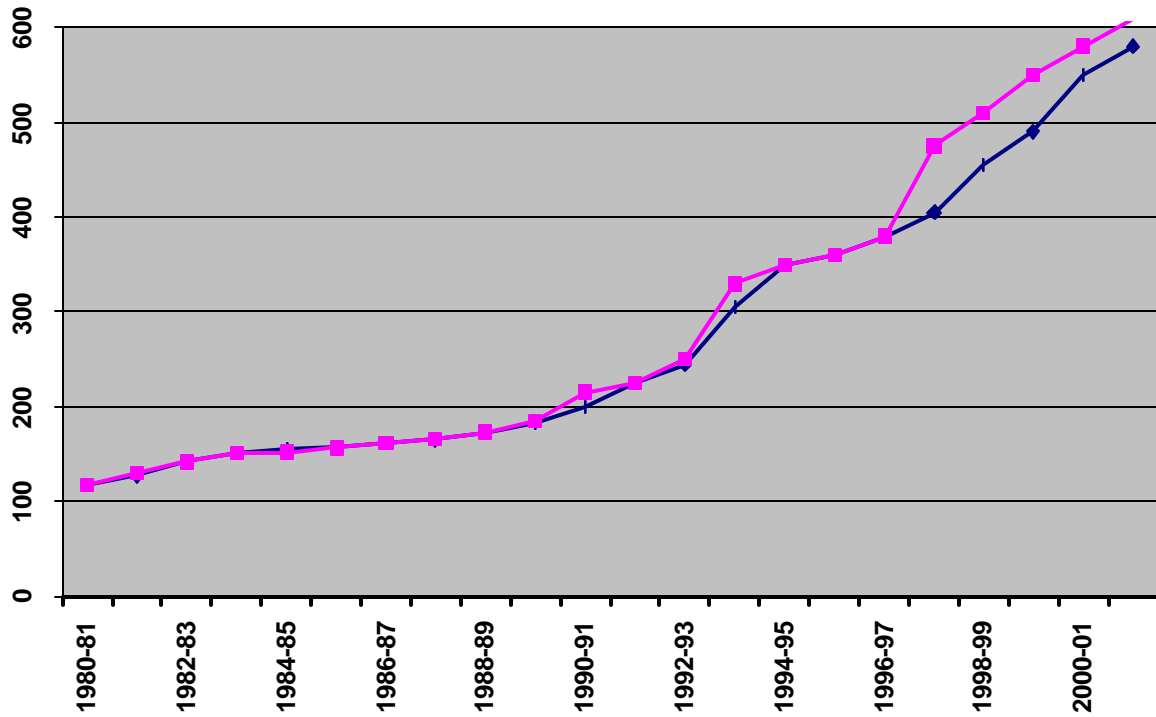
Share of Agriculture & Allied Sector in Total GCF (%)



Minimum Support Prices of Paddy FAQ (Rs/Qtl.)



### Minimum Support Prices of Wheat FAQ (Rs/Qtl)



### AVERAGE FOODGRAIN CONSUMPTION FROM PDS in 1999-00 (kgs/person/month, rural)

