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Sops for those below poverty line: A mirage?

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About four years ago, the then government reduced the price of foodgrains sold to people below poverty line (PBPL) from ration shop by 50 per cent; for instance in case of wheat, from Rs 3.50 per kg to Rs 2.0 per kg. However, allocation was reduced from 20 kg per month to 10 kg per month. What was given from one hand, was taken away from the other.

The present government too has performed a similar act. Only the *modus operandi* has changed. This time, allocation to PBPL has been raised from 10 kg per month to 20 kg per month. However, the poor families will have to pay Rs 4.2 per kg for wheat, i.e., 68 per cent more. In case of rice, revised price at about Rs 6.0 per kg will be higher by 72 per cent.

Currently, the majority of PBPL are unable to get even 10 kg per month due to poor delivery systems on the one hand and lack of purchasing power on the other. Improvements on these fronts overnight is ruled out. Consequently, it is most unlikely that PBPL would get anything above 10 kg per month. In view of this and having to pay more for existing offtake, they will be worse off.

Under the new dispensation, people above poverty line (PAPL) will have to pay full economic price, i.e., Rs 8.4 per kg wheat and about Rs 12.0 per kg rice. These being quite close to prices prevailing in the market place, they will have no incentive to buy from the ration shop. Consequently, demand by PAPL (current offtake is about 10.0 million tonnes) will fall drastically. This has to get reflected somewhere.

A probable scenario could be one in which additional allocation for PBPL would merely substitute existing quantities for PAPL. Further, there is a strong possibility of this reaching the market place (leakages in PDS are well known; remember adverse comments even by CAG). Thus, even as the GoI will add to its subsidy burden, beneficiaries will be the middlemen/traders.

Considering that overall lifting for sale through PDS would remain more or less unchanged (in fact, due to steep hike in price for PAPL, reduction is not ruled out), FCI will continue to be saddled with high stocks. This is all the more so when, even exports are sluggish due to the much lower international price vis-a-vis domestic cost. Consequently, cost of nursing stocks cannot be reduced either.

Henceforth, cost of purchase by PBPL will be indexed to movement in economic cost (this is essentially cost of procurement, handling and distribution). The latter being on a rising curve poor families should therefore, get ready for sustained price hikes. And, all this without any guarantee for increase in their paying capacity.

What then, is the way out of the mess? Can we really hope to meet food requirements of the poor at affordable price and, at the same time, keep subsidy outgo within reasonable bounds? This should be possible provided the government acts with determination on two major fronts.

First, there was never a valid case for serving the better off from PDS. By bringing up the price for PAPL to more or less at par with market price, the government has tacitly admitted this. The better off should be taken off PDS ambit which should concentrate solely on PBPL. Further, deficiencies in delivery system need to be removed to bring up supplies to a minimum of 20 kg per month.

The second area relates to handling charges. Currently, these are paid to FCI and other state agencies on 'subvention' basis, i.e., actual expenditure is reimbursed in full. These subsume monumental inefficiencies in procurement, handling and distribution apart from large scale misuse and leakages (according to an estimate, about 30 per cent).

So far, no credible effort has been made to check these which pass muster in the name of subsidy to consumers. This attitude of passing on the buck has to change. The inefficiencies/leakages need to be tackled on a war footing as this is the only viable way to make a dent on subsidy bill. This would also help in improving the image of PDS.

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