

Is the Vajpayee Government really pro-poor?

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THE chief purpose of the public distribution system (PDS) is to make foodgrains available to the economically weaker sections at affordable prices. However, it took decades for the political bosses to realise that the system needs to be restructured to target supplies primarily to the poor. With this recognition, the then Prime Minister, Mr H. D. Deve Gowda, introduced, in June 1997, what is now known as the TPDS.

While, logically, one would have expected that households above the poverty line (APL) are excluded from the TPDS, Mr Deve Gowda merely rechristened the existing PDS as TPDS with the only proviso that while fixing the prices, households below the poverty line (BPL) would be treated differently from APL households. Thus, on supplies to the former, he announced a 50 per cent reduction in price even as latter would continue to be charged the prevailing rate. As a result, for BPL households, the price of wheat was reduced from Rs 4.02 per kg to Rs 2.5 per kg, and that of rice from Rs 6.5 per kg to Rs 3.5 per kg.

A pre-requisite for ensuring that the benefit of lower price reaches the target group is that the BPL households are properly identified, issued distinctive ration cards, and that effective arrangements are made to reach supplies to them at this price. The State governments neither have the machinery nor the commitment to carry out such a gigantic task. Several of them have not even identified the BPL families till date. While some others have completed the exercise, one is doubtful about its credibility. As such, the possible conferment of the status of BPL on households that are in reality APL, is not ruled out.

Even at the point of actual sale, that is, fair price shops (FPS), where supplies are to be made to both APL and BPL households at prices widely different from each other, there is a strong possibility of diversion — that is, of low-priced foodgrains making their way to APL households. When, traditionally, under the PDS, a part of the supplies was invariably diverted to the market place, where the price is generally higher, under the TPDS, the FPS owner can do it with much greater ease, especially in view of supplies to both groups being made from under the same roof. Consequently, it is most unlikely that the intended benefit would reach the BPL households.

Let us ignore the practical problems for the moment and assume that the supplies are actually made available to BPL households at half the price. Even then, the Government made sure that the benefit of price reduction did not reach them. To get to this, we need to carefully assess the implications of a concurrent decision by the Deve Gowda regime to reduce their monthly entitlement from existing 20 kg to 10 kg, which was implemented without even a whisper.

For a family of four persons, the foodgrains requirement to ensure an acceptable nutritional level works out to about

50 kg per month (taking 400 gms per person per day). In view of this, already, at 20 kg, the household was getting only 40 per cent of its needs from the FPS, being forced to buy the balance from the market at a much higher price. The price reduction would have come as a relief only if the quantity issued had remained unaltered. But the 50 per cent reduction in quantity nullified the price gain. What was given with one hand was taken with from the other!

The present Government announced, with much fanfare, the doubling of the monthly entitlement of BPL households from the existing 10 kg to 20 kg. But, by doing so, it was not giving any extra sop; it merely reinstated what they were entitled to before 1997. At the same time, however, in the 2000-01 Budget, it resorted to a steep price increase of about 70 per cent — that is, wheat was up from 2.50 to Rs 4 per kg; and rice from Rs 3.50

leakages, the economic cost is bound to keep rising. Against this backdrop, adopting the principle of fixing the price as a percentage of economic cost really meant that consequent to an increase in it, the price on supplies to all households, including BPL, would automatically be higher. Thus, even as the authorities continue to claim that the poor are subsidised, in reality, the latter pay more and more. Clearly, therefore, the Vajpayee Government has ensured that the poor will be progressively impoverished.

Ironically, even the benefit of restoring the entitlement to 20 kg has not reached the poor. The present price of foodgrains supplied to APL households — wheat at Rs 8 per kg and rice Rs 12 per kg — are double the price of those supplied to BPL families — at Rs 4 per kg and Rs 6 per kg respectively. This differential is much more than the prices prevailing during Mr Deve Gowda's regime. Consequently,

Rs 3 per kg rice. The Government wrote to the State governments to identify these special households. When several of them have not been able even to identify the BPL households, and the job done by others lacks credibility, it is anybody's guess what will be the outcome of the present task!

That apart, implementation of the scheme will involve a three-tier price structure — supplies to APL, BPL and the 'poorest of poor' — at widely varying prices. Rice will be supplied at Rs 12 per kg, Rs 6 per kg and Rs 3 per kg respectively. This will be prone to much greater misuse and diversion. This is further reinforced by the fact that 'poorest of poor' (read those who cannot afford two square meals a day) do not have money to even pay a price of Rs 2/3 per kg. In short, the Antyodaya scheme will be a virtual non-starter. The question of meeting the food needs of the poor at affordable prices can be tackled meaningfully only by approaching this as a purely 'economic issue' and keeping politics and populism at bay. There is an urgent need for adopting a four-pronged strategy.

First, the FCI should immediately be dismantled, as its very existence has become synonymous with monumental inefficiencies, leakages, corruption and so on (the cost of these has to be borne by the tax-payer as well as the consumer of foodgrains).

Even otherwise, to expect a single organisation to effectively carry out the gigantic task of procurement, handling and distribution of millions of tonnes of foodgrains to every nook and corner of the country is a contradiction in terms. These operations should be decentralised by involving the State governments and private agencies.

Second, the charges for handling and distribution should be paid to these agencies on a 'normative' basis. For determining these, the Government may adopt the "bidding" route on the same lines as those followed for making payments to agencies involved in the handling and distribution of imported urea. This system has been in vogue for more than a decade now (earlier, the FCI was the sole agency) and has helped substantially lower the cost of operations.

Third, the Government should restrict supply from PDS to the poor households. By charging the APL households full economic price under the existing dispensation, it has indirectly conceded that they need not be buying their requirements from the PDS. Logically, therefore, they should be removed from its ambit.

Finally, and most important, the Government should promote rural development projects covering roads, housing, telecom, building storage space/godowns, digging wells, irrigation works, and so on. This would help provide employment and improve income-generation, thereby enabling access to 'food for all', whether covered by the PDS or not.

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to Rs 6.00 per kg. These prices being more or less close to the prices prevailing before 1997, the new dispensation hardly brought any cheer to BPL households.

While announcing the new pricing regime, the Vajpayee Government stated that prices on supplies to BPL families were fixed at 50 per cent of the economic cost, even as supplies to APL households were set at 100 per cent. Economic cost is sophisticated nomenclature for the cost of procurement, handling and distribution incurred by Food Corporation of India (FCI), the official agency that performs these functions on behalf of the Government. These costs are paid to the FCI on 'actuals' basis and mask monumental inefficiencies as well as leakages that have been pointed out even by the CAG.

Due to overall inflationary trends and the fact that the Government has no credible plans to check inefficiencies and

APL households have a much stronger inducement to encroach on the quota of BPL households. And the FPS owner has an equally strong incentive to oblige.

Thus, it is most unlikely that BPL households would get 20 kg per month as promised. In fact, far from getting anything higher than 10 kg, there is a strong possibility that they may not even reach the 10 kg level. This is amply demonstrated by the precipitous decline in the offtake of foodgrains ever since TPDS came into force. For instance, wheat offtake declined from about 9.2 million tonnes in 1996-97 to 5.7 million tonnes during 1999-2000. And, this year, it is expected to be just 3.95 million tonnes.

On his birthday, the Prime Minister announced the Antyodaya scheme for the 'poorest of the poor'. Under this, the Government proposed to supply 25 kg of foodgrains per month to these groups at a special price of Rs 2 per kg wheat and