REFLECTIONS ON DEVELOPMENT

A Compendium of Articles

Celebrating 50 Years of Life, Freedom, Dignity...

Indo-Global Social Service Society

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FIFTY YEARS OF LIFE, FREEDOM, DIGNITY...

Independent India has undergone a variety of experiments in its pursuit for development; from the highly centralized five year plans to decentralized grassroots democracy. There have been many players in the field and varied interests at action, socialistic protectionism to increased play of market forces – the evolution has been evident. Each has had their elements of successes and challenges.

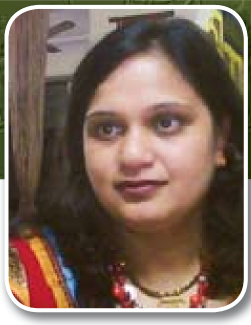
The many dimensions of development have been in focus; education, public health, literacy, access to basic amenities, invenstment in infrastructure, social welfare schemes and many more. Both governmental and non-governmental entities have done dedicated work for the achievement of the goal of Development.

As India moves on with over six decades of independent history and as one of the fast growing economies of modern times, the challenges have only become more predominant. The stark difference between an 'India' and a 'Bharat' is becoming more evident. Hence, the relevance and importance of a stronger civil society and vibrant NGO movement is the need of the hour. It is in this context that we have this compendium of development articles presented to you.

We at IGSSS are happy to have been part of the developmental atempts for these long years. As we complete fifty years in the service of our Nation and its people, we consider it apt to have a discussion on the realities (dynamics) of the times we live in. We hope this compendium of articles will help in taking the process of development dialogue forward for the life, freedom, dignity… of the people.

Dr. Joseph Sebastian
Executive director
Indo-Global Social Service Society

WITH GRATITUDE



An organization, they say, is much more than the bricks and mortar it is built of. It rests on the ideology it espouses, the causes it champions and the flesh and blood of people who take its vision forward. Particularly, when one talks of a fifty year old organization that has evolved over the years to a full-fledged developmental institution with its thrust programmatic areas, one needs to acknowledge the contribution of various discourses.

Indo-Global Social Service Society, in its 50th year, wishes to acknowledge the contribution of wisdom and experiences of development experts, journalist in planning and implementation of its interventions. Therefore, a compendium consisting of articles from the veterans in the field of development is being published.

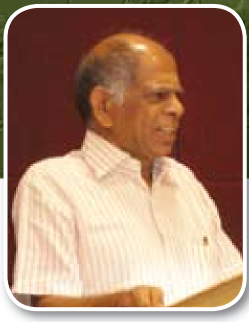
I wish to thank the President of IGSSS K. P. Fabian and Vice President Patricia Mukhim for initiating this. I wish to acknowledge the permissions given by "Economic and Political Weekly" and "Seminar" to use their articles.

With profound appreciation, I wish to commend the contribution from Jean Drèze, Sunita Narain, N. C. Saxena, S. Mahendra Dev, N. Chandrasekhara Rao, Renana Jhabvala, Guy Standing, Sowmya Sivakumar, Patricia Mukhim, Shamika Ravi, K. P. Rajendran.

Last not the least, I would like to thank our Executive Director Joseph Sebastian for all the support and encouragement, the team members Thomas Jacob, Zafar Ahmed Khan and Sohini Bhattarjee for all the hard efforts.

Have a Happy Reading!

Shikha Srivastava
Manager
Programme Quality and Support



FOREWORD

All of us engaged in development, and passionately want to see an India where justice and good sense prevail have one question uppermost in our minds: Why has India failed to develop at the pace and in the manner we, and our forbears, wanted and dreamt of?

Obviously, there are many reasons for the slow, painfully slow, development. We have assembled a few essays dealing with aspects of development as a modest contribution to the ongoing, perhaps endless, debate. IGSSS commenced its activities in 1960 when Pandit Jawaharlal Nehru was Prime Minister and the growth rate, 'the Hindu rate of growth' was about 4%. The nation now has a rate twice bigger. Yet, what progress has been made in reducing hunger, poverty, ill health, and illiteracy? The progress being made is far from proportionate to the higher growth. Obviously, a course correction is imperative.

Ms. Sowmya Sivakumar a writer, researcher and activist based in Jaipur, in her paper *'A Political Agenda to Minimise Wages'* has made a critical study of what MGNREGA has delivered and failed to deliver. She argues that there have been conscious and deliberate efforts to undermine the concept of minimum wages right from the introduction of the bill in the parliament. There are reports of graft and grave mismanagement in the implementation of MGNREGA. She argues that even as the economy grows at an 8–10% rate and the non-MGNREGA society has seen its income go up, the MGNREGA worker's income has remained at Rs.100 a day. The denial of minimum wages in MGNREGA is a violation of the Constitution, not to speak of ethics and justice.

Prof. S. Mahendra Dev, Director of Indira Gandhi Institute of Development Research (IGIDR), Mumbai, and Dr. N. Chandrasekhara Rao from the Hyderabad based Centre for Economic and Social Studies in their paper '*Agricultural Price Policy, Farm Profitability and Food Security*', examine the effectiveness of agricultural price policy in enabling farmers to obtain sufficient profits so that they can invest, raise productivity with better technology, and thereby enhance the food security of the nation. Higher emphasis has to be given to non-price interventions through public investments to supplement price policy measures as it can help in increasing yields, reduce the exclusive reliance on prices for farm profitability and food security, and also hasten poverty reduction, as the history of poverty reduction in the country shows that the proportion of the poor declined at faster rates when food prices are low. They also argue that the price support system should be extended to other crops and storage capacities need to be increased.

Ms. Renana Jhabvala presently working at SEWA and Dr. Guy Standing, Professor of Economic Security at the University of Bath, England, in their paper '*Targeting to the 'Poor': Clogged Pipes and Bureaucratic Blinkers*', argue that targeting is inefficient and inequitable. The sad situation is largely an outcome of the bureaucratic raj, which has created a vast system of clogged pipes. The authors propose universalism as an alternative to targeting.

Padmasri Sunita Narain, Director General of Centre for Science and Environment in her essay '*Inconvenient Truths*', argues that "climate change is about sharing necessary growth between nations and people". An equitable settlement respecting the rights of all should be worked out among the nations and within the nations to contain the ever growing gas emission. Such a rights-based agenda is critical for any resolution of the climate change challenge.

Dr. Tanu Shikha Arya, a researcher in the areas of education, literacy, culture and cognitive development, in her paper '*Some Comments on Panchayat Participation in Providing Literacy*' points out that only the achievement of adult literacy can help India to meet Education For All (EFA) goals within the next Five Year Plan. The *Saakshar Bharat* scheme aims to cover seven cores of non-literate adult out of which six crores are women.

Dr. N. C. Saxena who has held senior appointments in his career as an IAS officer and an eminent authority on development issues in his paper '*The Indian Bureaucracy: Need for an overhaul*' has demonstrated the strong relationship between the effectiveness of *bureaucracy* and *good governance*. He lists down factors that hamper the effectiveness of the Indian bureaucracy and prescribes the required reforms.

Dr. Jean Drèze, a distinguished development economist and member of the National Advisory Council, in his paper '*Right to Food Act*' gives a few useful and practical ideas to realize food security. Both food security and nutritional security are important. The article gives the case study of a dramatic turnaround in the PDS in Chhattisgarh. The most important factor contributing to bringing about the change was the political will. If it worked in Chhattisgarh, it can work elsewhere too.

Padmashri Patricia Mukhim, an eminent journalist from Meghalaya and Vice President of IGSSS, in her paper '*Gender and productive resources: Women's entitlement to Land, Livestock and Energy - The case of Meghalaya*', argues that traditionally women had access to land and other productive resources in Meghalaya unlike in other North Eastern States. With the creeping in of global capital and other market forces, their access to these resources is being increasingly eroded. The resources are presently concentrated in the male domain. The author proposes a dialogue rather than a fight between women and men.

In her paper "*Making Microfinance Work for the Poor*", Prof. Shamika Ravi of Indian School of Business, Hydrabad, has analysed in depth the Micro finance sector in India. Not only has she pointed out the deffects, she has also suggested rational remedies.

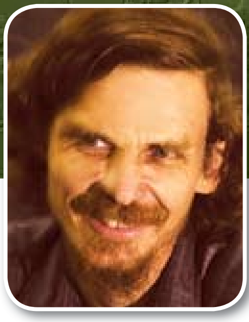
Mr. K. P. Rajendran, founder and team leader of FourX4, a social development support organization, in his report of a study commissioned by IGSSS, '*Women Adult Literacy: Where Are We!*', focuses on the response of the young and the old to theTotal Literacy Campaigns (TLCs) and to Saakshar Bharat (SB).

In my paper on "*Development, Justice, and Democracy: Some Reflections*", I have attempted to figure out the causes of India's slow progress in reducing poverty and suggested some action points.

We in the IGSSS family take the Golden Jubilee as an occasion not only for celebration but also for introspection and re-dedication.

We thank the distinguished contributors for responding to our request with commendable promptitude. They have enriched the national debate on a theme of unparalleled importance.

K. P. Fabian
President
IGSSS



RIGHT TO FOOD: TIME TO ACT*

Jean Drèze

Jean Drèze is a development economist who has been influential in Indian economic policymaking. He is a naturalized Indian of Belgium origin. His work in India includes issues like hunger, famine, gender inequality, child health and education, and the NREGA. He had conceptualised and drafted the first version of the NREGA.

Jean Drèze taught at the London School of Economics and the Delhi School of Economics, and is now Visiting Professor at the G. B. Pant Social Science Institute, Allahabad. He has made wide-ranging contributions to development economics and public economics, with special reference to India.

He has worked on many issues relating to development economics including hunger, famine, education, gender inequality, childcare, school feeding, employment guarantee etc.

Apart from academic work he has been actively involved in many social movements including the peace movement the Right to Information campaign that led to the Right to information Act in India, the Right to Food campaign in India.

Nothing is easier than to recognise a poor person when you see him or her. Yet the task of identifying and counting the poor seems to elude the country's best experts. Take for instance the "headcount" of rural poverty – the proportion of the rural population below the poverty line. At least four alternative figures are available: 28 per cent from the Planning Commission, 50 per cent from the N.C. Saxena Committee report, 42 per cent from the Tendulkar Committee report, and 80 per cent or so from the National Commission for Enterprises in the Unorganised Sector (NCEUS).

Poverty Estimates vs Food Entitlements

On closer examination, the gaps are not as big as they look, because they are largely due to the differences in poverty lines. The underlying methodologies are much the same. The main exception is the Saxena Committee report, where the 50 per cent figure is based on an independent argument about the required coverage of the BPL Census. Other reports produce alternative figures by simply shifting the poverty line.

In this connection, it is important to remember that the poverty line is, ultimately, little more than an arbitrary benchmark. It is difficult to give it a normative interpretation (in this respect, the Tendulkar Committee report is far from convincing). The notion that everyone below a certain expenditure threshold is "poor," while everyone else is "not poor," makes little sense. Poverty is a matter of degree and to the extent that any particular threshold can be specified, it is likely to depend on the context of the exercise.

What tends to matter is not so much the level of the benchmark as consistency in applying it in different places and years (by using suitable "cost-of-living indexes" to adjust the benchmark), for comparative purposes. It is this consistency that is being threatened by the current mushrooming of independent poverty lines. In this respect, the Tendulkar Committee report does a reasonably good job of arguing for the adoption of the current, national, official urban poverty line as

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* This chapter is based on three earlier articles: "Poverty Estimates vs Food Entitlements" (*The Hindu*, 24 February 2010), "The Task of Making the PDS Work" (*The Hindu*, 8 July 2010), and "Chhattisgarh Shows the Way" (*The Hindu*, 13 November 2010). The third article was co-authored with Reetika Khera.

an "anchor." State-wise urban and rural poverty lines are to be derived from it by applying suitable price indexes generated from the National Sample Survey data. This approach permits continuity with earlier poverty series, consistency of poverty estimation between sectors and states, and some method in the madness from now on.

As it happens, the Tendulkar Committee report's estimate of 42 per cent for rural poverty, based on this new poverty line, is not very different from the 50 per cent benchmark proposed in the Saxena Committee for the coverage of the BPL Census. In fact, the Tendulkar estimate, plus a very conservative margin of 10 per cent or so for targeting errors, would produce much the same figure as in the Saxena Committee report. Thus, one could argue for "50 per cent" as an absolute minimum for the coverage of the next BPL Census in rural areas.

However, poverty estimation is one thing, and social support is another. The main purpose of the BPL Census is to identify households eligible for social support, notably through the Public Distribution System (PDS) but also, increasingly, in other ways. In deciding the coverage of the BPL Census, allowance must be made not only for targeting errors, which can be very large, but also for other considerations, including the fact that under-nutrition rates in India tend to be much higher than poverty estimates. This gap is not so surprising, considering that the official "poverty line" is really a destitution line. The consumption basket that can be bought at the poverty line is extremely meagre. It was an important contribution of the NCEUS report to point out that even a moderately enhanced poverty line basket, costing Rs. 20 per person per day, would be unaffordable for a large majority of the population. How would you like to live on Rs. 20 a day?

Also relevant here is the case for a universal as opposed to targeted PDS. The main argument is that the Right to Food is a fundamental right of all citizens (an aspect of the "Right to Life" under Article 21 of the Constitution), and that any targeting method inevitably entails substantial "exclusion errors." This raises the question of the BPL Census methodology.

The 2002 BPL Census was based on a rather convoluted scoring method, involving 13 different indicators (related for instance to land ownership, occupation and education) with a score of 0 to 4 for each indicator, so that the aggregate score ranged from 0 to 52. There were serious conceptual flaws in this scoring system, and the whole method was also applied in a haphazard manner, partly due to its confused character. The result was a very defective census that left out large numbers of poor households. According to the 61st round of the National Sample Survey, among the poorest 20 per cent of rural households in 2004–05, barely half had a BPL Card. Any future BPL Census exercise must be based on a clear recognition of this major fiasco.

The Saxena Committee recently proposed an alternative BPL Census methodology, involving a simplified scoring system. Instead of 13 indicators, there are just five, with an aggregate score ranging from 0 to 10. This is a major improvement. Even this simplified method, however, is likely to be hard to comprehend for many rural households. This lack of transparency opens the door to manipulation, and undermines participatory verification of the BPL list. There is no guarantee that the results will be much better than those of the 2002 BPL Census.

Perhaps the proposed method can be further improved. But the bottom line is that any BPL Census is likely to be a bit of a hit-or-miss affair, not only because of inherent conceptual problems but also because of widespread irregularities on the ground. This is the main argument for universal provision of basic services, including access to the PDS. Another strong argument is that targeting is divisive, and undermines the unity of public demand for a functional PDS. It is perhaps no accident that the PDS works much better in Tamil Nadu, where it is universal, than in other States.

A universal PDS would, of course, involve a major increase in the food subsidy. However, universalisation could be combined with cost-saving measures such as decentralised procurement, self-management of Fair Price Shops by *Gram Panchayats*, and a range of transparency safeguards. There is no obvious alternative, if we are serious about ensuring food security for all. If someone has a better idea, let's hear it.

Food Security Act: Indecent Proposal?

When I first visited Surguja district in Chhattisgarh nearly 10 years ago, it was one of those areas where the Public Distribution System (PDS) was virtually non-functional. I felt constrained to write, at that time, that "the whole system looks like it has been designed to fail." Ration shops were in the hands of corrupt private dealers, who made money by selling PDS grain in the open market. People were powerless to argue when a dealer told them that, for no fault of his, the stocks were bare. Hunger haunted the land.

Ten years later, there has been a remarkable turnaround on the PDS front. One hesitates to give good marks to the Government of Chhattisgarh these days, given its monstrous actions in other domains – the sell-out to mining companies, backing of Salwa Judum, and suppression of human rights, to mention a few. Still, the revival of the PDS in Chhattisgarh is a major achievement, of interest to the whole country.

I had an enlightening view of this revival in Surguja a few weeks ago. Today, almost every household in this area is entitled to 35 kg of grain each month, at Re. 1 or Rs. 2 a kg (depending on the type of ration card). What is more, the system is working – everywhere we went, we found that people were getting 35 kg of grain on time, every month. For people who live on the margins of subsistence, this is a dream.

The planned National Food Security Act represents a unique opportunity to achieve similar gains across the country. However, the current draft, prepared by an Empowered Group of Ministers, is a non-starter in this respect. Indeed, the food guarantee is restricted to 25 kg of grain (at an unspecified price) for BPL households. This is less than their existing entitlements. In response to recent agitations, the government seems willing to raise the poverty line by a few notches, so that more households are included. Even then, a targeted PDS is not the way to guarantee the right to food.

The main problem with targeting is that it is both unreliable and divisive. The first point is evident from many investigations into the distribution of BPL cards. The "exclusion errors" are enormous. For instance, among all rural households falling below the "poverty line" according to National Sample Survey data, almost half did not have a BPL card in 2004–05. Similar findings emerge from National Family Health Survey data.

Perhaps exclusion errors can be reduced with better BPL identification methods. The N. C. Saxena Committee has made valuable suggestions in this respect. But the fact remains that there is no reliable way to identify poor households based on proxy indicators – it is bound to be a hit-or-miss exercise. A landless household, for instance, may or may not be poor, and similarly with a Scheduled Caste or female-headed household. The fact that a household may be well-off today, but poor tomorrow (due, say, to illness, displacement or unemployment) does not help matters. Last but not least, the power equations in the rural areas are such that any BPL survey is liable to be manipulated. There is no reason to expect the next BPL survey to be more reliable than the last one.

Targeting is also divisive: it prevents the emergence of a cohesive public demand for a functional PDS. And vocal demand is very important for the success of the PDS. This is one reason why the PDS works much better in Tamil Nadu than elsewhere: everyone has a stake in it. Chhattisgarh's recent success builds on the same principle – about 80 per cent of the rural population is covered.

In short, targeting is an ugly business, and it would be particularly dangerous to "freeze" the BPL-APL distinction into law. That will amount to converting a purely statistical benchmark, the "poverty line," into a permanent social division. Surely, the purpose of the Food Security Act is not to manufacture class conflict?

For all these reasons, serious consideration must be given to the obvious alternative – a universal Public Distribution System, at least in the rural areas and urban slums. Consider the potential benefits first: every family will have food assured in the house, month after month. Gone will be the days of cold hearths and empty stomachs. For those at risk of hunger, the PDS will be a lifeline. For others, it will be a form of income support and social security – valuable things to have, even when you are not hungry. The case for universalisation builds on this "dual purpose" of the PDS – food security and income support.

The nutrition impact of the PDS, one may argue, is likely to be limited even in the "universal" version. This may well be true. One reason is that the PDS may not do much for young children – the crucial age group as far as nutrition is concerned. What most children need is not more foodgrains but more nutritious food (including animal protein), better breastfeeding practices, health care and related support. They need to be fatter at birth, which requires further interventions (important in their own right) related to women's health and maternal entitlements. Special programmes are needed for marginalised groups such as the urban homeless. Thus, a universal PDS is only one part of an effective system of food and nutrition security.

This is not likely to come cheap. Tentative calculations suggest that a comprehensive Food Security Act may cost something like one lakh crore rupees a year. This may sound like a mind-boggling price tag, but it is not. For one thing, in a country where half the children are undernourished, there is no quick fix – any serious attempt to deal with mass undernourishment is bound to be expensive. For another, one lakh crore rupees is just about 1.5 per cent of India's Gross Domestic

Product. Is that an excessive price to pay to protect everyone from hunger?

Incidentally, India already spends more than that sum on things that are rather trivial compared with the right to food. I am not just thinking of military expenditure, which could do with some pruning, especially when it is being used also for internal repression. The fertilizer subsidy is in the range of one lakh crore rupees a year, with doubtful social benefits, not to speak of the environmental damage. And the annual "revenue foregone" on account of tax exemptions is more than five lakh crore rupees, according to the Finance Minister's own "Foregone Revenue Statement." This includes about Rs. 80,000 crore of corporate income tax foregone (some of it "on account of contributions to political parties") and nearly Rs. 40,000 crore of foregone customs duties on "vegetables, fruits, cereals and edible oils."

The "food subsidy" itself is already around Rs. 70,000 crores. The problem is not so much that this subsidy level is too low, but that it is badly used. A telling symptom of this today is the mindless accumulation of nearly 60 million tonnes of grain in government warehouses. Instead of whining about food inflation, and blaming "hoarders" for it, the government would do well to release some of the gigantic food stocks.

This is not to dismiss the resource constraints. One way ahead will be to introduce universal PDS, say, in the poorest 200 districts, and extend it gradually to the whole country – much as in the case of the National Rural Employment Guarantee Act. Today's excess stocks will be of great help in the initial phase of this transition. Five years from now, the cost of a comprehensive food security system will be closer to 1 per cent than 1.5 per cent of GDP, if the current rates of growth continue. Meanwhile there will be enough time to enhance food procurement and mobilise extra funds. The roadmap is clear: promote local procurement and tax the rich.

None of this, of course, will be of much use unless the PDS can be made to work. Universalisation itself will help in that respect, as argued earlier. But systemic reforms of the PDS are required, building on the wealth of insights that have been gained from recent initiatives to restore transparency and accountability in various domains. If Chhattisgarh can turn the PDS around, why not other states?

The National Food Security Act is not going to eliminate malnutrition in one go. But it could be the end of hunger, and the beginning of a new movement for the realisation of everyone's right to good nutrition. Let all this be clear before the idea is dismissed as unaffordable.

The PDS Turnaround in Chhattisgarh

India's Public Distribution System has been in bad shape for decades, so much so that it is often thought to be beyond repair. Recent experience, however, suggests otherwise. The amazing revival of the PDS in Chhattisgarh is of special interest in this respect.

We had an interesting view of this turnaround a few months ago in Lakhanpur Block (Surguja District), on the sidelines of a survey of NREGA in the area. Everyone we spoke to, across the Block, said that they were receiving their full quota of 35 kgs of grain each month, that too at the correct price – one or two rupees per kilo, depending on the type of ration card. The stocks apparently reach the village on time, on the seventh day of each month, and are promptly distributed. There were no complaints of cheating. This is no mean achievement, in an area where the PDS was severely dysfunctional just a few years ago.

Other reports from Chhattisgarh suggest that this is not an isolated success. One survey of food-related schemes, conducted in September-November 2009 in eight Blocks spread over the state, found that 85 per cent of the cardholders were getting their full 35 kgs of grain every month from the PDS (others were getting at least 25 kgs). Only 2 per cent of the entries in the ration cards were found to be fake.

One of the early steps towards PDS reform was the "de-privatizing" of ration shops. In Chhattisgarh, private dealers were allowed to get licences for PDS shops from 2001 onwards (before that, PDS shops were run by the state co-operatives network). This measure allowed the network of ration shops to widen, but also created a new nexus of corrupt players whereby dealers paid politicians to get licences as well as protection when they indulged in corrupt practices. In 2004, the government reversed this order (despite fierce opposition from the dealers) and put *Gram Panchayats*, Self-Help Groups, *Van Suraksha Samitis* and other community institutions in charge of the ration shops. Aside from bringing ration shops closer to people's homes, this helped to impart some accountability in the PDS. When people run their own ration shop, there is little incentive to cheat, since that would be like cheating themselves. Community institutions such as *Gram Panchayats* are not necessarily "people's institutions", but nevertheless, they are easier for people to influence than corrupt middlemen or the government's bureaucratic juggernaut.

Another major reform was to ensure "doorstep delivery" of the PDS grain. This means that grain is delivered by state agencies to the ration shop each month, instead of dealers having to lift their quotas from the nearest godown. How does this help? It is well known that corrupt dealers have a tendency to give reduced quantities to their customers and sell the difference in the black market (or rather the open market). What is less well understood is that the diversion often happens *before* supplies reach the village. Dealers get away with this by putting their hands up helplessly and telling their customers that "*picche se kam aaya hai*" (there was a shortfall at the godown). When the grain is delivered to the ration shop, in the village, it is much harder for the dealers to siphon it off without opposition. Truck movements from the godowns to the ration shops are carefully monitored, and if a transporter cheats, the dealers have an incentive to mobilise local support to complain, as we found had happened in one village.

These two measures (de-privatizing ration shops and doorstep delivery) were accompanied by rigorous monitoring, often involving creative uses of technology. For instance, a system of "SMS alerts" was launched to inform interested citizens (more than 15,000 have already registered) of grain movements, and all records pertaining to supplies, sales, timelines, etc. were computerized. This involved much learning-by-doing. For instance, at one point the state government tried distributing pre-packed sacks of 35 kg to prevent cheating, but the practice had to be discontinued as it was found that these sacks were being tampered with too. Therefore, in recent months, a move towards electronic weighing machines has been initiated.

Perhaps the most important step was improved grievance redressal, based for instance on active helplines. Apparently the helplines are often used by cardholders, and if a complaint is lodged there is a good chance of timely response. Further, action is not confined to enquiries – in many cases FIRs have been lodged against corrupt middlemen and it is not uncommon for them to land in jail (there was at least one recent case in Lakhanpur itself). Grain has also been recovered from trucks that were caught off-loading their stocks at unintended destinations.

Greater transparency is an important step towards corruption-free administration. This is one important lesson from the National Rural Employment Guarantee Act (NREGA). "Information walls" in Rajasthan, whereby the names and employment details of all Job Card holders in a village are painted on the walls of the *Gram Panchayat* office, can help to eliminate bogus Job Cards and fudged Muster Rolls. The NREGA's Monitoring and Information System (MIS), which computerizes all records and makes them available on the internet, is another important transparency measure which people are slowly learning to use.

Along similar lines, simple transparency measures have been introduced in Chhattisgarh to eliminate bogus ration cards. For instance, every house in Lakhanpur had a large round sign, painted next to the door, displaying the type of ration card held by that household and the corresponding entitlements (price and quantity). This serves the dual purpose of generating awareness about entitlements and of "naming and shaming" those who possess a ration card (e.g. an *Antyodaya* card) for which they are not eligible.

Turning to the "demand side" of the story, the most significant step in Chhattisgarh was a major expansion in the coverage of the PDS. In what is widely seen now as a shrewd political move, Raman Singh (BJP leader and current Chief Minister) revamped the PDS ahead of the 2007 state elections. Today, close to 80 per cent of the rural population – including all SC/ST households – is entitled to PDS grain at either one or two rupees per kilo. The fact that most rural households have a strong stake in the PDS has generated immense pressure on the system (ration shops in particular) to deliver.

Expanded PDS coverage and lower issue prices have both contributed to enhancing the voice of otherwise poor and disempowered rural cardholders. As Rajeev Jaiswal (Joint Director, Food and Civil Supplies), put it: "At the moment we are only using the voice of 80% of the rural community. When the PDS is universalised, the entire community including the better educated and more vocal sections will start putting pressure on the system".

Ultimately, however, it is political will that seems to matter most. Somehow, the PDS became a political priority in Chhattisgarh and a decision was made to turn it around, instead of siding with the corrupt dealers who were milking the system. When political bosses firmly direct the bureaucracy to fix a dysfunctional system, things begin to change.

The fact that government functionaries were under enormous pressure to make the PDS work was evident in Lakhanpur. For instance, monitoring grain movements had become one of the top priorities of the *patwaris* and *tehsilars*. The *tehsildar* mentioned that the PDS was the first agenda item whenever meetings were held at the district level. The political pressure was also manifest in their willingness to stand up to vested interests, e.g. by arresting corrupt middlemen and taking them to Court if need be.

It would be naïve to think that the revival of the PDS in Chhattisgarh reflects the kind-heartedness of the state government, especially in the light of its contempt for people's rights in other contexts. It was a political calculation, nothing more. But it worked, and it can happen elsewhere too.

THE INDIAN BUREAUCRACY: NEED FOR AN OVERHAUL

N. C. Saxena

Naresh Chandra Saxena has been engaged in projects related to Planning and Development, Natural resource management, rural livelihoods, social sector programmes, poverty alleviation, food security, agriculture, watershed and drinking water programmes, governance, decentralisation, and peoples' participation. Member of Indian Administrative Services (IAS), Dr. Saxena retired as the Secretary, Planning Commission.

According to a recent survey[1] on 12 Asian economies done by the Hong Kong-based Political and Economic Risk Consultancy, India's "suffocating bureaucracy" was ranked[2] the least-efficient, and working with the country's civil servants was described as a "slow and painful" process. 'They are a power centre in their own right at both the national and state levels, and are extremely resistant to reform that affects them or the way they go about their duties," the report said.

India's own Second Administrative Reforms Commission is no less scathing in its criticism:

> "The state apparatus is generally perceived to be largely inefficient with most functionaries serving no useful purpose. The bureaucracy is generally seen to be tardy, inefficient and unresponsive. Corruption is all-pervasive, eating into the vitals of our system, undermining economic growth, distorting competition and disproportionately hurting the poor and marginalized citizens. Criminalization of politics continues unchecked, with money and muscle power playing a large role in elections. In general there is a high degree of volatility in society on account of unfulfilled expectations and poor delivery. Abuse of authority at all levels in all organs of state has become the bane of our democracy."

The poor shape of India's bureaucracy has also resulted in indifferent progress on the MDGs. High growth notwithstanding, India seems to have failed on two fronts. First, social indicators on health, nutrition, hygiene, and quality of education are either stagnant or moving very slowly. And secondly, a large number of marginalised and disadvantaged people have either not gained from development, or in many cases have actually been harmed from the process. Weak governance, manifesting itself in poor service delivery, uncaring leadership, and uncoordinated and wasteful public expenditure, are the key factors impinging on development and social indicators.

Political Compulsions and Bureaucracy

In a well-functioning democracy, the political process would ideally find answers to governance problems. Political pressure can be healthy if it results in greater demand on the administration for efficiency and better services to the people. Pressures properly regulated and wisely tempered, improve the spirit of administration and help to keep it on an even keel, but this is not happening in India.

There is a growing belief widely shared among the political and bureaucratic elite in government that the state is an arena where public office is to be used for private ends. Immediate political pressures for distribution of patronage are so intense that there is no time or inclination for the ministers and bureaucrats to do conceptual thinking, to design good programmes, weed out those that are not functioning well, and monitor the programmes with a view to improve the

1 Times of India, 3rd June 2009.

2 Ranking by most efficient to least efficient economies: Singapore, Hong Kong, Thailand, South Korea, Japan, Malaysia, Taiwan, Vietnam, China, Philippines, Indonesia and India.

effectiveness of delivery. At the same time elections require funds which have to come through the looting of the Government treasury.

The political system in many states is accountable not to the people but to those who are behind the individual Members of the state level Legislative Assemblies (MLAs); these are often contractors, mafia, corrupt bureaucrats, and manipulators who have made money through the political system, and are therefore interested in the continuation of chaos and patronage-based administration. The fact that half of the politicians in some states are either criminals or have strong criminal links and thus have no faith in the rule of law further compounds the problem.

The state resources are the most valued prize for both politicians and their constituencies, which leads to a client-patron relationship between the holders of state power and those seeking favours. Patronage is controlled by individuals, not established institutions bound to follow set procedures. Where power is highly personalised and weakly institutionalised, the decision-making process is replaced by arbitrary and behind-the-scene transactions. In such an environment, exercise of power for its clients demands fudging of rules, dependence upon corrupt civil servants, plundering of the public treasury, and decay of governance. When the fence starts eating the field, there is little chance of development reaching the poor.

Winston Churchill on the eve of India's Independence had said, "Power will go to the hands of rascals, rogues and freebooters. All Indian leaders will be of low calibre and men of straw. They will have sweet tongues and silly hearts. They will fight among themselves for power and India will be lost in political squabbles." What appeared as a scandalous outburst then may be called an understatement now!

Impact on the IAS

In almost all states people see the bureaucracy as wooden, disinterested in public welfare, and corrupt. Bright men and women join the IAS, but adverse work environment, constant political interference, frequent and often meaningless transfers, and corruption below and above them all leads to the death of idealism, and encourages them too to misuse their authority. Disillusionment and greed, and not need, is the driving force behind graft amongst civil servants.

A young IAS officer from Bihar described[3] the predicament of honest officers in the following terms:

> "As Project Director (PD) I was handling rural development funds and it was often a problem to release money to the sub-district Blocks and Panchayats (elected village councils). This was so because the Block Development Officer (BDO) or the *Mukhia* (elected panchayat president) would immediately take up 'n' number of schemes and distribute the total money as advance to either his own relatives who act as agents or *Abhikartas* (Junior Engineers) in employment schemes or the muscle men or petty contractors of the local MLA. If any action is proposed against the BDO or the *Mukhia* a report has to be sent to the Minister who often does not take any action. This further emboldens the BDO while the Collector/PD gets demoralised. Upright officers have been systematically marginalised by the indulgent political masters who expect a committed bureaucracy. Committed officers enjoy outstanding CRs (annual confidential reports) and foreign training, while upright officers are sidelined in useless departments like *Rajbhasha* (Official Language), Protocol etc. When they apply for GOI deputation, all kinds of hindrances are created. This is done to break the upright officer and make him submissive and more committed."

The IAS serves the state but the state structure is itself getting increasingly dysfunctional and divorced from public interest. In some north Indian states parallel authority structures and Mafia gangs have emerged. Tribal regions in central and north-east India are out of bounds for normal administration. In such a situation it is no surprise if the bureaucracy too is in bad shape.

Over the years, whatever little virtues the IAS possessed – integrity, political neutrality, courage and high morale – are showing signs of decay. Many civil servants are deeply involved in partisan politics: they are preoccupied with it, penetrated by it, and now participate individually and collectively in it. This is understandable, though unfortunate, because between expression of the will of the State (represented by politicians) and the execution of that will (through the administrators) there cannot be any long term dichotomy. In other words, a model in which politicians would be casteist, corrupt and will harbour criminals, whereas civil servants will continue to be efficient, responsive to public needs and change-agents cannot be sustained indefinitely. In the long run administrative and political values have to coincide.

While defending the continuation of the all India Services, Sardar Patel had said, "they are as good as we are". At that time it was taken as a compliment that

3 Planning Commission, 2000, Mid Term appraisal of the 9th Plan, Govt of India.

the civil service was being compared with statesmen who had won freedom for the country. One does not know how many civil servants will like to be told today that they are like politicians. But things have moved a full circle, and perhaps many of them behave like politicians – the English speaking politicians – corrupt, with short-term targets, narrow horizons, feudal outlook, disrespect for norms, contributing nothing to the welfare of the nation, empty promises, and no action.

Internal Problems within the IAS

Lack of professionalism: A high degree of professionalism ought to be the dominant characteristic of a modern bureaucracy. The fatal failing of the Indian bureaucracy has been its low level of professional competence. The IAS officer spends more than half of his tenure on policy desks where domain knowledge is a vital pre-requisite. However in the present environment there is no incentive for a young civil servant to acquire knowledge or improve his skills. There is thus an exponential growth in both, his ignorance and arrogance. It is said that in the house of an IAS officer one would find only three books – the railway timetable, because he is always being shunted from one post to the other, a film magazine because that is his level of interest, and of course, the civil list – that describes the service hierarchy! An important factor which contributes to the surrender of senior officers before political masters is the total lack of any market value and lack of alternative employment potential. Beyond government they have no future, because their talents are so few. Most IAS officers thus end up as dead wood within a few years of joining the service and their genius lies only in manipulation and jockeying for positions within government.

Creation of redundant posts: Due to the control that the IAS lobby exerts on the system, a large number of redundant posts in the super-time and superior scales have been created to ensure them quick promotions. Often a senior post has been split, thus diluting and diminishing the scale of responsibilities attached with the post. For instance, in some states against the post of one Chief Secretary, there are many officers now in equivalent but far less important posts drawing the same salary. In one state, previously where one officer used to be the Secretary of Medical and Health, now there are five officers doing the job of one, four are in-charge of health, family planning, medical, and medical education respectively, whereas the fifth one as Principal Secretary oversees the work of these four Secretaries!

This has apparently been done to avoid demoralisation due to stagnation, but the net result has been just the opposite. First, it leads to cut-throat competition within the service to grab the important slots. The old camaraderie has vanished. Instances are not lacking when IAS officers wanting plum jobs have gone to the politicians denigrating their competitors. Second, this no-holds-barred competition is then exploited by politicians in playing up one against the other leading to officers becoming more pliable. Third, for IAS officers in the marginalised positions, the government seems remote, heartless and more unjust now than ever before. Many have gone to the Tribunals and Courts for promotions and postings, a phenomenon that was unheard of two decades ago.

Perverse incentives are not the only factor undermining the effectiveness of the bureaucracy. Its composition is also skewed. For instance, in most states, about 70% of all government employees are support staff unrelated to public service – drivers, peons and clerks. Key public services – education, healthcare, police and judiciary – are starved of people, whereas many wings are overstaffed.

Structure of reward and punishment: It may be recalled that even in the 1970's the officers exerted pressure on the system to move to what they thought were more glamorous positions. Some decades back, when "useless" posts were almost non-existent, an informal hierarchy of jobs had existed. The Secretary Industries, as also every one else, thought that he was holding a more important job than the Secretary Social Welfare although they drew the same salary. A Collector of a large district felt humiliated if he was transferred as Director of Tribal Development.

The difference between then and now is that previously civil servants had clear ideas about the type of behaviour that would be rewarded or punished; furthermore, control over that, and judgment about it, was in the hands of the civil service itself. Now, the structure of reward and punishment is decidedly and squarely in the hands of the politicians, who therefore cannot be displeased. Today many Legislative Assemblies meet only for 20 to 30 days in a year. MLAs are not interested in legislative functions – they all want a share in the executive! Most of the time they interfere in the role of other wings of Government with no sense of accountability, but they have nuisance value for back-door influencing in decision-making. Such back seat driving means informal control over the bureaucracy, but it promotes irresponsible decision-making and encourages corruption. The traditional separation between the executive and the legislature has disappeared in India. This has meant erosion of internal discipline and emergence of the district MLAs as the real boss for the Collector.

Poor service delivery: To be fair to the modern brand of politicians, it must be admitted that except for high integrity, neutrality towards party politics, and provision of minimal administrative services in times of emergency, the civil service even in the past had little to commend for itself. Efficiency in the civil services was always very narrowly defined; it was in terms of contempt for politics and adherence to rules, but never in terms of increased public satisfaction. In such a scenario of low institutional capability it is unfair to expect that the political processes would be totally free from populism or sectarianism. Because of the inability of the system to deliver, politicians do not perceive good governance as feasible or even important for getting votes. No chief minister seems to be saying to his constituents: "within three months all canals would run on time, you would get 10 hours of electricity, rations would be available for the poor, you apply for a licence today and within a month it would reach your doors, your grievances will be promptly attended to, etc." One reason why he does not say so is the total lack of faith on the part of voters in such promises which need delivery through the administrative apparatus. Ministers too are conscious of the limitations of the system, and realize that such promises cannot be delivered.

It is here that the civil service has failed miserably. Politics is after all "the art of the possible", and if the civil service is no longer able to ensure service delivery, politicians are forced to resort to identity-based politics in order to reach at least some sections to keep the faith of the voter alive in the political system.

Although many civil servants hold the view that it is the nature of politics which largely determines the nature of the civil service and the ends to which it would be put, and therefore civil service reforms cannot succeed in isolation, causation is also in the other direction. Non-performing administration leaves little choice to the politicians but to resort to populist rhetoric and sectarian strategies.

Rather than try to improve the delivery system, many IAS officers are compromising with the rot and accepting a diminished role for themselves by becoming agents of exploitation in a state structure which now resembles more like the one in the medieval period – authoritarian, brutal, directionless, and callous to the needs of the poor. A few competent and ambitious civil servants would be able to rise above all this, by joining the UN and other such organisations. Their material success will further fuel the desire of the ordinary members of the service to enrich themselves by hook or by crook. In the process they would become totally indistinguishable from other rent-seeking parasites – politicians, Inspectors and middlemen. Perhaps they had not imagined that they would end up like this at the time of joining the service. Stagnation in their intellectual capabilities and a decline in self-esteem will further demoralise them. Disillusionment and corruption are thus likely to coexist in the IAS for quite sometime to come.

How to Stem the Rot?

Government of India transferred almost five lakh crore (trillion) Rupees in 2008–09 to the states. If even half of it was to be sent to the eighty million poor families (at 37% as the cut-off line for poverty, 400 million poor would be equivalent to roughly 80 million households) directly by money order, they would receive more than 90 Rupees a day! It proves that public expenditure needs to be effectively translated into public goods and services that reach the poor for it to have an impact on poverty and social outcomes. Unfortunately different kinds of distortions can come in the way of resource allocations reaching the intended beneficiaries.

Although there has been a growing realisation among some chief ministers on the need to improve governance, only a few have been able to translate this into concrete action. This would necessarily involve keeping the MLAs and Ministers under check, which is difficult when the state is under a coalition regime, or the ruling party is constrained by a thin margin in the Assembly, or is divided into factions. In many other states even Chief Ministers seem to be averse to professionalizing administration.

When neither politics nor state administration has the capacity for self-correction, only external pressure can coerce states to take hard decisions that will hit at their money-making tactics. In the Indian situation (where foreign donors provide very little aid to the states as compared with what is provided by the Centre) this can come only from the Centre, backed by strong civil society and media action.

Conditions under which the civil servants operate in the social sector Ministries in Government of India (GOI) are somewhat different from the work environment prevailing in the states. First, the central government Joint Secretary does not control field staff and is therefore free from the pressures of transfers and postings. Second, his/her tenure in GOI is for five years, which facilitates growth of professionalism. In the states, when officers fear that they would be transferred within six months there is hardly any incentive to perform. Third, central government officials are more in touch with experts, donors and specialists, and therefore are under peer group pressure to learn their subject and be able to converse with the specialists on equal terms. In some cases, where GOI Ministries (such as in Education and lately in Health) have started behaving like donors and make states be answerable for results, results in the field are more satisfactory than in the Ministries, such as Tribal Affairs, Food & Civil Supplies, and Women & Child Development, where they are content with just release of funds or foodgrain with little monitoring of outcomes.

Therefore the enhanced control by the Centre on social sector expenditure should provide a window of opportunity to put some pressure on the states to improve their administration and service delivery. Some of the ways it can be achieved are discussed below.

Focus on outcomes: At present officials at all levels spend a great deal of time in collecting and submitting information, but these are not used for taking corrective and remedial action, or for analysis, but only for forwarding it to a higher level, or for answering Parliament/Assembly Questions. Equally, state governments do not discourage reporting of inflated figures from the districts, which again renders monitoring ineffective. As data is often not verified or collected through independent sources, no action is taken against officers indulging in bogus reporting. The practice is so widely prevalent in all the states, that the overall percentage of malnourished children, in case of 0–3 years according to the data reaching GOI from the field is 8 per cent (with only one per cent children severely malnourished), as against 46 per cent (with 17 per cent children severely malnourished) reported by an independent survey sponsored by GOI. The field officials are thus able to escape from any sense of accountability in reducing malnutrition.

The situation can easily be corrected by asking the state governments to show greater transparency of the district and centre records by putting them on a website and by frequent field inspections by an independent team of experts, nutritionists, and grassroots workers. The Centre should also pull up the states for not recognising almost 90% of the severely malnourished children.

Fiscal transfers: Very little of the GOI transfer of roughly Rs. 4 trillion Rupees (this amount does not include subsidies, such as on food, kerosene, and fertilizers) annually to the states is linked with performance and good delivery. The concept of good governance needs to be translated into a quantifiable annual index on the basis of certain agreed indicators, and central transfers should be linked to such an index.[4]

Accountability: As a consequence of its colonial heritage as well as the hierarchical social system, administrative accountability in India was always internal and upwards, and the civil service's accountability to the public had been very limited. With politicisation and declining discipline, internal accountability stands seriously eroded, while accountability via legislative review and the legal system has not been sufficiently effective. Often too much interference by the Judiciary (as in Bihar during 2000–2006) in day to day administration further cripples administration. But strengthening internal administrative accountability is rarely sufficient, because internal controls are often ineffective – especially when the social ethos tolerates collusion between supervisors and subordinates.

"Outward accountability", therefore, is essential for greater responsiveness to the needs of the public and thus to improve service quality. Departments such as the Police and Rural Development, which have more dealings with the people, should be assessed annually by an independent team consisting of professionals such as journalists, retired judges, academicians, activists, NGOs, and even retired government servants. These 'assessors' should look at the policies and performance of various Departments, and suggest constructive steps for their improvement. At present the system of inspections is elaborate but often precludes the possibility of a 'fresh look' as they are totally governmental and rigid. The system should be made more open so that the civil service can gain from the expertise of outsiders in the mode of donor agency evaluations of projects. It is heartening to note that GOI has already started doing so for some of its flagship programmes, such as in education and health. Petitions under the Right to Information Act (RTI) have also empowered citizens, but its use is still dominated by civil servants on personnel issues of appointments and promotions.

Priorities for enhancing both internal and external civil service accountability should include: improved information systems and accountability for inputs; better audit; face-to-face meetings with consumers and user groups; publishing budget summaries in a

4 It is informally learnt that the 13th Finance Commission has recommended giving additional funds to states who do well on certain indicators, such as IMR, forest cover, etc. This would be a good beginning, if the suggestion is accepted by GOI.

form accessible to the public; a stronger performance evaluation system; scrutiny and active use of quarterly and annual reports; and selective use of contractual appointments.

One way to bring in accountability is to start the system of holding public hearings in matters pertaining to the works handled by each office. Prominent social workers and NGOs should be associated with this exercise for more productive results. The teams would undertake surveys of quality of service delivery in key areas; scrutinize policies, programmes and delivery mechanisms. Civil servants' views on work constraints and reporting fraud and corruption should be elicited. The reviews conducted should also form the basis of time bound changes and improvements which should be monitored.

Needless to say that such comprehensive reforms need for their sustenance strong political and administrative will from the top. In its absence, reforms remain only on paper. Accountability has to be induced; it cannot be decreed by fiat. Accountability is a result of a complex set of incentives, transparency in processes and decision-making, and checks and balances at various levels of government. Thus, the Prime Minister and his senior IAS colleagues in GOI have to put their weight behind new accountability systems and review it from time to time.

Personnel Issues

Appointments and transfers are two well-known areas where the evolution of firm criteria can be easily circumvented in the name of administrative efficacy. Even if the fiscal climate does not allow large numbers of new appointments, a game of musical chairs through transfers can always bring in huge rentals to corrupt officials and politicians. As tenures shorten – both efficiency and accountability suffer. In U.P., the average tenure of an IAS officer in the last five years is said to be as low as four months!

The topic of reducing political interference is a sensitive one, for the right to transfer government servants is clearly vested within the political leadership of the States under Article 310 of the Indian Constitution, which maintains that civil servants serve at the "pleasure" of the ruling authorities. Yet few would disagree that this power is often abused by both government servants and politicians - the former in seeking prime postings, and the latter for making civil service pliable. The prime concern of the political executive now is not to make policies but to manage jobs and favourable postings for their constituents. This means a high degree of centralisation at the level of the state government and little accountability.

Several reforms are needed here. Powers of transfers of all class II officers should be with Head of the Department, and not with government. At least for higher ranks of the civil services e.g. Chief Secretary and the Police Chief, postings may be made contractual for a fixed period of at least two years (as is being done in GOI for Secretaries in the Ministries of Home, Defence, and Finance), and officers be monetarily compensated if removed before the period of the contract without their consent or explanation.

Stability index should be calculated for important posts, such as Secretaries, Deputy Commissioners, and District Superintendent of Police. An average of at least two years for each group be fixed, so that although government would be free to transfer an officer before two years without calling for his explanation, the average must be maintained above two years.[5] This would mean that for every short tenure some one else must have a sufficiently long tenure to maintain the average.

At the same time it must be recognized that some posts would have more attraction for the employees than others. These may be due to better location where good schools or cheap government housing is available, more challenges, the pull of private practice for doctors, or simply more opportunities to make money. Except for the Indian Foreign Service, no other service categorises posts according to its demand so as to ensure that everyone gets a fair chance to serve on both important and difficult (such as in remote and tribal areas) assignments. One should categorise posts in each department according to the nature of duties and geographical location into A, B and C posts, and chart out the kind of mix that should dictate the average officer's span of career. At least for IAS officers, one should be able to know through websites that total transparency is being observed and whether some 'well connected' officials have not been able to get 'plum' postings and avoid difficult areas.

Summing up

A good civil service is necessary but not sufficient for good governance; a bad civil service is sufficient but not necessary for bad governance. Thus, a dilapidated

5 GOI has accepted this suggestion, and has made changes in the IAS Rules, however the choice of posts for which this would be applicable has been left to the states. Predictably, no state has declared any post under the new Rules.

civil service has been a key factor in Africa's economic decline. Conversely, a strong civil service is one of several reasons why in several east Asian economies, especially Japan, Singapore, and South Korea, authoritarianism has co-existed with excellent economic performance. It can be argued that the link between authoritarianism and economic decline, so evident in Africa, has been inoperative in these Asian countries largely because of their strong civil service. Greater responsiveness and openness can legitimately be demanded of public administrations in many East Asian countries. Clearly, civil service systems in most East Asian countries cannot be considered a problem; they are, rather, an important part of the solution to these countries' other problems.

The situation in many Indian states which are responsible for achieving the Millennium Development Goals is different. A vast gap exists between the stated and unstated objectives. On paper the avowed objective of government is to give clean administration and work for the poor, but lucrative posts are auctioned to the highest bidder. Corruption is rampant. People have unfortunately accepted the position as *fait accompli* and resigned themselves to their fate. They too tend to seek short cuts and exploit the system by breaking rules or approaching mafia gangs and politicians for favours.

Governance reforms are intractable under a 'kleptocracy' that exploits national wealth for its own benefit and is, by definition, uninterested in transparency and accountability. A pliable and unskilled civil service is actually desirable from its point of view – public employees dependent on the regime's discretionary largesse are forced to become corrupt, cannot quit their jobs, and reluctantly become the regime's accomplices. Providing financial assistance from GOI to such states without linking it with performance and reforms would be a waste of resources. In all other cases, reform is manageable, albeit difficult, complex, and slow. Therefore, considering that the states would need external pressure on them to improve outcomes, certain control by GOI over the IAS and policy domain in social sector is necessary, till such time that the states show signs of improvement in governance.

INCONVENIENT TRUTHS

Sunita Narain

Sunita Narain has been with the Centre for Science and Environment (CSE) from 1982. She is currently the director general of the Centre and the director of the Society for Environmental Communications and publisher of the fortnightly magazine, Down To Earth. She is a writer and environmentalist, who uses knowledge for change. In 2005 and again in 2008 and 2009 she was included by US journal Foreign Policy as one of the world's 100 public intellectuals. In 2005 she was awarded the Padma Shri by the Indian government. She has also received the World Water Prize for work on rainwater harvesting and for its policy influence in building paradigms for community based water management. In 2005, she also chaired the Tiger Task Force at the direction of the Prime Minister, to evolve an action plan for conservation in the country after the loss of tigers in Sariska. She advocated solutions to build a coexistence agenda with local communities so that benefits of conservation could be shared and the future secured. She is a member of the Prime Minister's Council for Climate Change. As well as the National Ganga River Basin Authority, chaired by the Prime Minister, set up to implement strategies for cleaning the river.

Climate change is definitely the biggest story of the 21st century. But its sheer complexity and urgency is defeating us.

For the past 19 years – the first intergovernmental negotiation took place in Washington DC, USA in early 1991 – the world has been arguing about what it knows but doesn't accept. It has been desperately seeking every excuse not to act, even as science has confirmed and reconfirmed that climate change is real: it is related to carbon dioxide and other emissions, in turn related to economic growth and wealth in the world. In other words, it is human-made and can devastate the world as we know it.

We all know today that the threat of climate change is urgent, that combating this threat will require deep and drastic cuts in greenhouse gas emissions. We also know the poor are feeling the pain of a changing climate – increased variations in rainfall, intensities of tropical cyclones; in many ways, they are more vulnerable and less able to cope with daily survival.

The issues are clear. But the answers are lost in prevarication and pretence. The reason is simple: climate change is related to economic growth. It is, as is famously said, the 'market's biggest failure'. Despite years of protracted negotiations and targets set under the Kyoto Protocol, no country has been able to delink economic growth from the growth of emissions. No country has shown how to build a low carbon economy, as yet.

The inconvenient truth is not that climate change is real, but that climate change is about sharing necessary growth between nations and people. The rich must reduce so that the poor can grow. This was the basis of the climate agreement the world signed in Rio. This was the basis of the Kyoto Protocol, which committed the industrialized world to reduce its emissions by roughly six per cent over 1990 levels by 2008–2012. But the developed world has never been serious about this agreement.

The facts are clear. Between 1990 and 2006, carbon dioxide emissions of the industrialized rich countries (Annex I, without the economies in transition) have increased by 14.5 per cent. Furthermore, emissions from the growth-related energy sector have increased by 15 per cent. This is unacceptable.

This is when we know that climate change is about historical emissions, as a tonne of carbon dioxide emitted a century ago is equal to a tonne of carbon dioxide emitted today. According to estimates, industrialized countries are responsible for seven out of every 10 tonnes of carbon dioxide that has been emitted in the atmosphere from the start of the industrial revolution. This is the natural debt of nations, which like the financial debt must be repaid. But this is not all. Even in terms of current emissions, the difference is clear. Between 1980 and 2005, the total emissions of the US were almost double that of China and more than seven times that of India. In per capita terms, such injustice is even more unacceptable, indeed immoral. We have seen no real change, none that we can believe in.

It is widely that accepted keeping global temperature rise below 2°C (and ideally 1.5°C) measured from pre-industrial levels (1850) is the threshold that will reign in climate change from being 'dangerous' to becoming 'catastrophic'.

But the number has hidden politics. The fact is, once the world accepts the need to cap temperature, it is also accepting the need to cap emissions because of which temperatures are increasing. Meeting this global temperature target is only possible if the world limits the concentration of all greenhouse gases at 450 ppm, taking together the stock and current emissions. The space will have to be apportioned – budgeted – so that the earlier occupiers vacate and the new claimants fill in, in some proportion of equity. This is the politics of the global common atmospheric space.

In other words, the emission budget of 450 ppm has to be apportioned, based on equity, between nations. Without this budget-sharing deal, the temperature cap becomes a virtual cap on the emissions of the developing world, as we are told that we too will have to peak in the midterm and take meaningful deviations from our carbon-growth trajectory.

Let us be clear: the space is very limited. We know concentration of greenhouse gas emissions is already close to 430 ppm. But with some 'cooling' allowance, because of aerosols in the atmosphere, it comes to somewhere close to 390–400 ppm. In sum, not much space is left to be distributed and shared in our intensely unequal world.

But this is not all that confounds the science. The fact is that greenhouse gases have a long, a very long, life in the atmosphere. Gases pumped in, say since the late 1800s as the western world was beginning to industrialize, are still up there. This is the natural debt that needs, like the financial debt of nations, to be repaid. It was for this reason that the Kyoto Protocol, in late 1997, agreed to set emission limits on industrialized countries – they had to reduce, so that the developing world could increase. It is a matter of record that the emissions of the industrialized countries continued to increase. As a result, today, there is even less atmospheric space for the developing world to occupy. It is also evident that the industrial world did nothing; it knew it needed to fill the space as quickly as possible. Now, we have just crumbs to fight about.

It is also no surprise that western academics like Sir Nicholas Stern of the London School of Economics are now calling upon the developing world to take on emission reduction targets for the simple reason there is no space left for them to grow. The logic is simple, though twisted and ingenious. No space to grow. 'You cannot ask for the right to pollute,' they tell the developing world.

This is unacceptable. We know emissions of carbon dioxide are linked to economic growth. Therefore, capping emissions without equal apportionment will mean freezing inequity in this world. Unacceptable.

Equally, we know that this apportionment of the carbon budget is an intensely political decision, as it will literally determine the way the world will share both the common space and economic growth. It is only when we are agreed on the formula for sharing that we can agree on how much the already-industrialized countries have to cut and by when, and how much the rest (India included) have to cut and by when.

Instead, what we have is a pincer movement. The already-industrialized do not want to set interim targets when they will reduce their emissions drastically. They want to change the base year from when emission reduction will be counted – 2005 or 2007, instead of 1990. This means two things. One, they want to continue to grow (occupy space) in the coming years and, two, the space they have already occupied – as their emissions have vastly increased between 1990 and 2007 – should be forgiven. But for this, if when we know that meeting the 450 ppm emission concentration target requires space to be vacated fast – they must peak within the next few years and then reduce drastically by at least 40 per cent by 2020 over 1990 levels. But why do this when you can muscle your way into space.

The hard issue is not gases, but how the world will cut carbon dioxide fast and hard. The problem is that the gas is released in the atmosphere because of our needs for burning fossil fuels to fuel our economy. The agenda is to reinvent growth without pollution. But this agenda is forgotten in the noise of mean and nasty negotiations. The reason is also clear: the rich world, tasked already with the legal obligations to reduce emissions, does not have a clue as to how it will do this without costing its economy. It needs a cop-out.

If we look at the various options countries have to cut emissions, there are three broad categories – based on what these will cost and availability of technology. The first are the those things that countries can and should do because they will cost little, or even if the initial capital cost is high, pay back is quick – negative cost options. These include everything nice from changing incandescent light bulbs to CFL or LED, tightening standards for appliances we use in homes, retrofitting homes to make sure they are insulated and, of course, all other actions to improve efficiency in industry and transport.

The second set of actions, which will cost less than US$ 30 (Rs. 1500) per tonne of carbon saved category, are largely found in the land-related sectors – from stopping deforestation to planting trees to absorb carbon dioxide. But the third set of actions, which are really the ones that can reinvent the energy system and combat climate change, come along with a big ticket price – anywhere between US$ 50–150 (Rs. 4000–7000) per tonne of carbon saved. These include solar energy systems, very high penetration of wind and nuclear power and retrofitting and building all coal-based power plants with a still experimental technology of carbon capture and storage (literally meaning to take the emitted carbon dioxide and storing it deep underground).

As yet, for the past 20 odd years of the climate negotiations – from Rio to Copenhagen – the rich world has looked for small answers to this big problem. First, it believed that the magic bullet was to plant biofuels – crops that could fuel the world. It learnt quickly that there was a trade-off in this business as cost of food skyrocketed. The next techno-fix was to improve the fuel economy of each vehicle, till it found that even as cars became more efficient, people ended up buying more and driving more. The end result was the same. Emissions increased. Now it is banking on hybrids. It refuses to learn that the scale of transition will need more than just an efficiency revolution; it will need a sufficiency goal.

Let us be clear it is this denial that is driving the world to our doorsteps. This is the real politics of climate change: the cost of paying for real emission reductions. And smart games to avoid it.

From the Intergovernmental Panel on Climate Change (IPCC) to the private consultancy work of McKinsey and Company – all say one thing and one thing alone. The cheapest options for cutting emissions are in the developing world. This is why they are desperate to make us part of the global deal. The transition to a low carbon economy will be on our backs. Worse, they don't even want to pay the real costs for it.

This is the objective of the new deal – the coalition of the willing – pushed at the last conference of the parties in Copenhagen. The formula is as follows: we first cut emissions at home for which we will pay through our resources. India, for instance, will have to bear the full costs of the 20–25 per cent carbon intensity reduction domestic target for 2020. Then we will get some money and some technology for the actions we take above this. More things to do that have never been done in the world as yet.

Also we will also have to stabilize forest cover and reduce gross deforestation. No arguments. But the world forgets that we do not cut forests because we have a penchant for it. Forests are cut because people have no alternative firewood or land. Trees are habitats of people. Not carbon sticks.

The US and the rest have also made it clear that we should not expect much money to be paid for this transition. In fact, they say that we should foot our own bill because we have now joined the high table of polluters – taken on a domestic target.

For money, we can sell 'offsets' to the developed countries – they will not cut domestically but pay us to cut emissions. And remember they want even the cheapest things credited to their account. All rich countries are expecting to meet their domestic targets through doing things in our backyard.

Let us be clear: we should be more than willing to build a low-carbon economy – build our cities with public transport or plant forests. But this will cost. Also, the rich world has to cut its obscene emissions and cut them fast. No other global deal should be acceptable.

Equity in climate negotiations is an uncomfortable and inconvenient truth. Just before the world was scheduled to meet at Copenhagen in December 2009, the move began to rewrite the climate agreement based on common but differentiated responsibilities. The US president, flush with his Nobel Peace Prize, was the architect of this new proposal to change the framework of the negotiations.

He proposed the following: first, the US will not take international commitments, but follow a domestic legislation route. So, it will act on emission targets legislated nationally. Second, the amount it will cut is nowhere close to what is required of it. The global consensus is that industrialized countries need to cut greenhouse gas emissions by at least 40 per cent over 1990 levels, to avert a 2°C rise in temperature. But the US proposed a puny target of cutting 20 per cent over 2005 emission levels by 2020. Since its greenhouse gas emissions have increased by 16 per cent between 1990 and 2005, what it is in effect saying is that it plans to do practically nothing but stabilize by 2020. Nothing to cut its gargantuan emission share – with some five per cent of the world's people, it emits currently 18 per cent of global emissions. Forget even that this one country is responsible for 30 per cent of the global stock of emissions in the atmosphere. Criminal, when you think of the impact of climate change on the poor of the world.

Third, this puny target includes a huge amount of emission credits it will 'buy' from developing countries as offsets. In sum, it will actually continue to increase its emissions till 2017, at the very least. Finally, it has made it amply clear it will do this little bit only if China and India and other 'polluting' nations are with it in this grand cop-out plan.

In other words, the world now needed a second coalition of the willing – this time for President Barack Obama. This time, not to go to war with Iraq, but to blow up the chance of an effective agreement in Copenhagen. The generals then put together the coalition, building block by building block.

This is why, before the meeting began, the international media had been 'worked' to build a strong campaign to play on India's worst fears – being isolated and hated in a rich man's world. An image had been crafted: India is the climate renegade. India has not got the climate narrative right. She is the naysayer, a deal-breaker. Anathema to our whitewashed politicians, who crave for global attention and approval. So, if we want to be part of the coalition, we had to agree to their proposal – now called the infamous Copenhagen Accord.

The Copenhagen Accord, which encapsulates the elements of the new deal, was pushed through in the last hours of the conference of parties on Friday 18 December 2009. However, when the accord was presented to the plenary, there was no consensus on the process and substance of the document. Finally, it was agreed to 'take note' of the accord. However, as the proponents of the Copenhagen Accord are powerful countries, there is concerted action to get it accepted and supported by all.

Will this 'pragmatic' approach to bring the world's most renegade nation to the table be effective for climate change? Unequivocally, no. It will instead dismantle a multilateral agreement based on setting global targets to reduce emissions, equitable burden sharing and strong mechanisms for the most powerful to comply. Worse, it will do little to cut emissions on the scale needed. The US is unwilling and the rest will now follow. Ineffective. Iniquitous. Bad for the world, worse for us.

What then is the way ahead? First, we must accept that the rich world must reduce emissions drastically. Let there be no disagreements or excuses on this matter. There is a stock of greenhouse gases in the atmosphere, built up over centuries in the process of creating nations wealth. This has already made climate unstable. Poorer nations will now add to this stock through their drive for economic growth. But that is not an excuse for the rich world not to take on tough and deep binding emission reduction targets. The principle has to be they must reduce so that we can grow.

The second part of this agreement is that both the poor and emerging rich countries need to grow. Their engagement will not be legally binding but based on national targets and programmes. The question is to find low-carbon growth strategies for emerging countries, without compromising their right to develop.

This can be done. It is clear that countries like India and China provide the world the opportunity to 'avoid' additional emissions. The reason is that they are still in the process of building energy, transport or industrial infrastructure. They can make investments in leapfrog technologies to avoid pollution. In other words, build our cities on public transport; our energy security on local and distributed systems – from biofuels to renewables; our industries using the most energy and so pollution efficient technologies.

These countries also know that it is not in their interest to first pollute, then clean up; or first be inefficient, then save energy. But technologies that exist are costly. It is not as if China and India are bent on first investing in dirty and fuel-inefficient technologies. They invest in these, as the now rich world has done: first add to emissions; make money; then invest in efficiency. The agreement must recognize this fact and provide technology and funds to make the transition in the world. It is this that is most critical.

This pathway can change. But the world must give real change. Change we can believe in. The world must seriously consider the concept of equal per capita emission entitlements so that the rich reduce and the poor do not go beyond their climate quota. We need climate responsible action. We need effective action.

This allocation of the earth's global sinks to each nation, based on its population, will create a system of per capita emission entitlements, which taken together are the 'permissible' level of emission of each country. This would create the framework for trading between nations, as the country, which exceeded its annual quota of carbon dioxide, could trade with those countries with 'permissible' emissions. This would create the financial incentives for countries to keep their emissions as low as possible and to invest in zero-carbon trajectories.

Much as the world needs to design a system of equity between nations, all nations simultaneously need to design a system of equity within the nation. For instance, it is not the rich in India who emit less than their share of the global quota. It is rather the poor who do not have access to energy who provide us the breathing space. India, for instance, had a per capita carbon emission of 1.5 tonnes per year in 2005. Yet, this figure hides huge disparities. The urban-industrial sector is energy intensive and wasteful, while the rural subsistence sector is energy-poor and frugal. Currently, it is estimated that only 31 per cent of rural households use electricity. Connecting all of India's villages to grid-based electricity will be expensive and difficult. It is here that the option of leapfrogging to off-grid solutions based on renewable energy technologies becomes most economically viable.

If only India's entitlements were assigned on an equal per capita basis, so that the country's richer citizens pay the poor for excess energy use, this would provide both the resources and the incentives for current low energy users to adopt zero-emission technologies. Similarly, a rights-based framework would stimulate powerful demand for investments in new renewable energy technologies.

This rights-based agenda is critical for any resolution of the climate change challenge. The fact is that climate change teaches us more than anything else that the world is one; that if the rich world pumped in excessive quantities of carbon dioxide yesterday, the emerging rich world will do so today. It also tells that the only way to build controls is to ensure that there is fairness and equity in the agreement, so that this biggest cooperative enterprise becomes possible.

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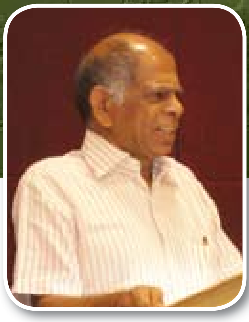

DEVELOPMENT, JUSTICE AND DEMOCRACY: SOME REFLECTIONS

K. P. Fabian

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Mr. Fabian is presently the President of Indo – Global Social Service Society and also of Action for Food Production.

As I am writing this essay on Republic Day of the year 2011, naturally my thoughts wended their way to the Constitution of India adopted on January 26, 1950. Till then King George VI was the head of state of India. India's ambassadors till that day carried their letters of accreditation from the King. On that day, Dr. Rajendra Prasad took over as President. Therefore, January 26, 1950 completed India's journey to political independence.

It is important to realize that what was gained in 1947–50 was only political independence. Economic independence was as yet not there. Economic independence implies that all Indians can live with dignity, eat well, be literate, afford to send their children to schools where there are good and competent teachers, have access to good and affordable health care, have an adequate income, and, above all, hold their heads high without fear, and proud of their motherland and its position in the comity of nations. In the first half of the twentieth century India's per capita income grew at 0.1% annually. We should note, en passant, that per capita income as such is a misleading indicator of the true state of the majority of the people. Yet, it is historically important to take note of the growth rate of income under the British Raj.

In 1950, India's per capita income and level of industrialization were more or less the same as that of South Korea and China, to take only two countries. China had decades of civil war and also Japanese occupation in parts of the country. Compared to what China had gone through, the Partition and the attendant violence, destruction, and carnage that India experienced, horrendous as they were, was much less in its intensity and spread. China, later suffered under Mao, during the Cultural Revolution and the Great Famine. It has been estimated by scholars that about 40 to 70 million Chinese lost their lives under Mao. India had the good fortune to have Jawaharlal Nehru who built up the foundation for a strong, secular, just, and democratic India. Korea for years was under military rule even after Syngman Rhee's autocracy ended in 1960 before it became a practising democracy.

At present China's per capita income is \$ 4283 (ppp \$ 7518) South Korea's is \$ 20300 (ppp \$ 29791) and India's is \$ 1200 (ppp \$ 3290). The poverty reduction in India has been much slower than in China. We should not hastily conclude that democracy is the villain.

The central question is: What happened? Why India did not develop as expected and dreamt by our forebears who fought and died for India's freedom? Let us go back to our Constitution. The Preamble reads.

WE, THE PEOPLE OF INDIA, have solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens:

JUSTICE, social, economic and political.

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity;

and to promote among them all.

FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation.

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.

The Directive Principles of State Policy in Part IV of the Constitution explain what is expected of the state in promoting justice and equality. For example, Article 39 reads.

The State shall, in particular, direct its policy towards securing:

a. That the citizens, men and women equally, have the right to an adequate means of livelihood.
b. That the ownership and control of the material resources of the community are so distributed as best to sub-serve the common good.
c. That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.
d. That there is equal pay for equal work for both men and women.
e. That the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength.
f. That children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment.

Therefore, it follows that the Republic of India embarked on its journey over sixty years ago with the best of intentions, value systems, and a clear sense of direction. If we have not reached where we should have reached it follows that we have not been true to our Constitution.

Before we deal with what went wrong, let us figure out briefly what went right. India has preserved its democratic system and ethos; she remains secular in her values; the literacy rate has gone up from 12% in 1947 to 68% in 2007; life expectancy at birth has moved up from 28 years in 1950 to 65 years in 2005–10; there is a strong industrial base and India has made tremendous progress in engineering, space, atomic energy, pharmaceuticals, to mention only a few areas. India's economic growth, especially after the 1990 reforms, has catapulted her into one of the ten leading economies.

Let us now look at the negative side of the ledger with objectivity and without inhibition. To face the truth requires courage. It is fashionable these days to dress up truth. The temptation to dress up truth should be resisted. The negative side can be summed up as follows.

Income

According to findings of the Commission on the Unorganized Sector, headed by the late Professor Arjun Sengupta, 77% of Indians live on Rs. 20 or less a day. As there are many who live on even less than Rs. 20 a day, let us look at the table for the year 2004–05:

Extremely poor	(Rs. 9)	70 million
Poor	(Rs.12)	167 million
Marginally poor	(Rs. 15)	207 million
Vulnerable	(Rs. 20)	392 million
Total		836 million

Arjun Sengupta's analysis given above is much sharper and much less inhibited than what official statistics give out. For example, for 2004–05, the official figure for the poor is 37.12%. In other words, to get a realistic figure the government figure has to be multiplied by two. It is important to mention here that there was certain dismay and discomfort in certain circles that the Commission had not bothered to dress up the facts. It appears that some seriously expected the Commission to apply cosmetics to its findings.

We need to demolish the myth about a growing, shining middle class in India. Some writers have estimated that that class contains about 350 million. In fact, technically speaking there is no middle class in India in terms of income. Let us define the middle class as those who spend $10 or more a day and do not belong to the top ten percent. The percentage of Indians that falls into that category works out to 5%. They are right at the top. Therefore, they are not the middle class.

Education

That India has not given even primary education to all her children is a shame. China, Mexico, South Africa, Brazil, Thailand, and Indonesia universalized primary education years ago. Primary reasons for the dismal state of affairs are inadequate funding by the government, inefficient utilization of allotted funds, and general apathy on the part of government at various levels, political and bureaucratic.

In 1944 the then British Government came out with a plan, known as the Sergeant Scheme, to attain 100% literacy by 1984. Some of India's leaders criticized the scheme arguing that India cannot wait for 40 years. By 2001 India had reached the 64% mark….The Kothari Commission in 1966 recommended spending 6% of GDP on education. The National Education Policy (1992) reiterated the recommendation. The highest so far has been 4% and by and large it has hovered around 3%. The more intelligent developing countries spend as high as 10%. We say "more intelligent" deliberately. Education is a splendid investment from a purely, limited economic point of view. Of course, the state should take care of education whether it is an investment that gives monetary return or not. By denying education we are excluding a large number of our fellow citizens from living with human dignity. The person who has not had even elementary education is less likely to send his children to school, or to be able to be an intelligent and caring parent even if the child goes to a school, not to speak of being a responsible citizen. In 1947 India's population was 270 million. According to the 2001 census the number of illiterates was 296 million.

There is much talk of 'inclusion' and the media have reported that the CII Confederation of Indian Industry) spent Rs. 40 crores in Davos to project an 'inclusive' India. It is obvious that if India were inclusive there would have been no need to spend money on such propaganda. Just because the assembled elite in Davos are convinced of our 'inclusive' intentions, the number of children dying of hunger before reaching 5 years does not get reduced even by one.

Some economists, allergic to spending in the social sector, have argued that there is not enough money with the government and that the private sector has to come in. The argument is wrong. The Tapas Majumdar Committee estimated in 1999 that it will cost Rs.13,700 crores a year for ten years to universalize primary education. For ten years it comes to 137,000 crores, to be compared with the 176,000 crores of Rupees the Government of India has lost in the 2G spectrum scam, as estimated by the Comptroller and Auditor General of India. Not intriguingly, it is the same economists who resent spending on education who have been votaries of reforms that have begotten such big scams. Even in terms of rate of return, investment in education pays back good returns. It is an important element in the building up of the human infrastructure, to modify the economist's jargon. It will be interesting to do an economic analysis on the returns on investment calculated on a holistic basis from primary and secondary education on the one hand and in a special economic zone on the other. But, the moot point is that whatever be the returns, education is an absolute requirement for human beings to live with dignity. There is no question of any one's arguing that there is no money for it. Nor is there any reason to be dogmatically opposed to private investment in education. But, to argue that Government can stop investing because the private sector will invest enough is to make a huge mistake and that is the intention of some who are pushing for private investment in education under the guise of ppp (private-public partnership). It is painful to see economists arguing for neglecting the social sector as they are supposed to advise the government how to make use of its resources in order to realize its goals as soon as possible. Those who talk of inter-generational justice and fairness, when it comes to deficit do forget that thousands are dying in the present.

Health

India has 16% of the world population, but accounts for 30% of infant/child mortality. Life expectancy at birth is only 64 years as compared to 79 in developed countries. About half of children under three suffer from malnutrition.

The main reason for such a deplorable state is that not enough money is spent on health. "Public expenditure at 1% of GDP is one of the lowest among all the countries in the world."[1] Since the state does not spend enough, the people have to spend more on health. In Norway and USA, state expenditure on health accounts for 83.5% and 44.8% of total expenditure for health. In India the state accounts for only 18% and in Sri Lanka it is 46.5%.[2] There is wide variation among states and the state expenditure peaked in 1987 and started to decline with the onset of reforms.

The primary health centres are not delivering health care in the manner required. They often lack the multi-disciplinary talents and laboratory facilities for correct and early diagnosis. The doctors and nurses are not punctual, to put it gently. In fact, many poor people avoid going to the primary health centre or the sub-centre.

1 Kurien N. J., India Social Development Report 2010, Council for Social Development, Oxford University Press, New Delhi, 2010, p. 101.
2 UNDP 2009.

A lot of good work is being done by NGOs. In New Delhi *The India Foundation* runs a clinic treating about 1200 a month, at a monthly cost of Rs. 50,000. Of course, the two retired civil servants who started it do not take any salary for themselves. The fact is that there are many like them and the government and civil society should support them. Elementary health care can be extended in a year or two to everyone in our land.

There is another manner in which the NGOs can help. *The Catholic Hospitals Association* of India took over the management of hundreds of primary centres and sub-centres in Andhra Pradesh and trained up the staff and with close monitoring and supervision improved considerably the performance of the centres. The government should hand over the management some of its hospitals and clinics to reputed NGOs.

Employment

12.8 million enter the labour market every year. Theoretically, they can enter the organized sector or the unorganized sector. The organized sector is defined as all public sector establishments and all private non-agricultural establishments employing ten or more workers. Starting from the 1980s, growth of employment in the organized sector has stagnated. Since the commencement of reforms in early 1990s, the situation got aggravated, as will be seen from the following table:

Employment in the Organized Sector[3]

Year	Millions
1996	279.41
1997	282.45
1999	283.90
2000	280.90

Mechanization is taking its toll on employment. Take the case of Tata Motors. The company reduced its workforce in Pune from 35,000 to 21,000, but increased production of vehicles from 129,000 to 312,000 between 1999 and 2004.[4]

As the organized sector shrank, the unorganized sector expanded. It is useful to define the sector. The best definition is given in the Arjun Sengupta Commission's Report. "The unorganized/informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten workers." The Commission has pointed out that not all unorganized sector workers work in the unorganized sector. The unorganized/informal sector workers consist of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employees, and *the workers in the formal sector without any employment and social security benefits provided by the employers*.[5]

The table below brings home the point about the relative expansion of the unorganized sector:

Share of the Unorganized Sector in the Workforce[6]

In percentages

Sector	1972–73	1987–88	1993–94
Manufacturing	72.8	81.1	82.1

The statistics on employment in India are less than scientific. For example, the NSS (National Sample Survey) has counted as employed a person who has worked for an hour during the reference week. The reason for such an approach is not the lack of statistical skills, but a general tendency among government circles to project that the situation is better than it is. Just as the WHO has started working out years of healthy life, we need to work out the figures of those who are appropriately employed as against those who might have worked an hour or two in a week.

On the one hand, the young cannot find jobs. On the other, the employer cannot find enough employable young persons. We have mentioned that 12.8 million enter the labour market a year. There are only 30,000 skills training centres and their combined capacity works out to only 3.1 million trainees. It goes without saying that we should not assume that all the centres are working to their full capacity. We all know how difficult it is to get hold of a plumber or electrician.

Housing

Urban population has been growing at 2.7 to 3.8% per annum during the last five decades. The shortage in housing, according to the Planning Commission, was of the order of 26 million in 2009. On the other hand, the World Bank has estimated a shortage of

3 Economic and Political Weekly, January 3–9, 2004, Vol. xxx1x No.1, p. 107.

4 Bhaduri, Amit, The Face You Were Afraid to See, Penguin, New Delhi, 2009, p. 31.

5 Growth Pole Programme for Unorganized Sector Enterprise Development, National Commission for Enterprises in the Unorganized Sector, www.nceus.gov.in, p. 3.

6 Indian Journal of Labour Economics, Vol. 41, No. 4, October-December 1998, p. 818.

70 million.[7] The difference in the estimates has to do with the quality of housing. The World Bank has in mind better quality. It also attaches particular importance to purchasing power. Out of the 70 million, about half can afford to buy housing through credit.

To what extent the Government schemes have delivered, it is difficult to say. This is mainly because, the government presentations on the net or elsewhere project what is planned and not what was delivered.

Nutritional Security and State of Agriculture

It is customary to speak of food security. But, we need a more holistic concept. Hence, we speak of nutritional security. No society that cannot take care of its children's health can consider itself healthy. Children cannot be healthy if their mothers are underfed and anaemic. If the mother is not healthy, the baby is underweight. One out of four babies in India is underweight. One third of the malnourished children on the globe are in India. As we have noted India accounts only for 16% of the world population. Infant mortality was 58 out of 1000 in 2006 and further progress has been slow.

The state of agriculture is sad. Farmers have been killing themselves in thousands every year. For 2009, the total is 17368. In fact, since we started keeping records, the number of farmers committing suicide has steadily increased despite all the money, thousands of crores of rupees that the Government has pumped in. P. Sainath has done commendable work in this area. According to him, during the period 1997–2003, 16267 farmers killed themselves a year. During the period 2003–2009, that figure went up to 17105. This works out to 47 a day, or one farmer every 30 minutes.[8]

We shall not go into the reasons for the sad state of agriculture in India, except to say that neglect on the part of the government is the principal cause. The neglect has been two-fold: Declining investment and inability to give knowledge support to the farmer.

Public investment in agriculture, in real terms, had witnessed a steady decline from the Sixth Five-Year Plan onwards. With the exception of the Tenth Plan, public investment has consistently declined in real terms (at 1999–2000 prices) from Rs. 64,012 crores during the Sixth Plan (1980–85) to Rs. 52,107 crores during the Seventh Plan (1985–90), Rs. 45,565 crores during the Eighth Plan (1992–97) and Rs. 42,226 crores during the Ninth Plan (1997–2002). It was stipulated in the Eighth Plan that the level of investment in agriculture should be raised to at least 18.7 per cent of the total national investment basket. However, while the total public investment has increased dramatically over the last decade, the share of investment in agriculture has varied from 8 to 10 per cent with a maximum of 11 per cent during 2001–02.[9]

The agricultural extension services were built up as a follow up to *THE GROW MORE FOOD CAMPAIGN* during World War 2. Historically, the idea of extension had its origins in US in the beginning of the 20th century. In 1952–53 under the Community Development Projects, agricultural extension got reinforced. Conventionally understood, Agricultural Extension comprises the entire set of organizations that support people engaged in agricultural production and facilitate their efforts to solve problems; link to markets and other players in the agricultural value chain; and obtain information, skills, and technologies to improve their livelihood.[10] The sad fact of the matter is that agricultural extension was of no use when the farmers committed suicide in thousands.

Poverty Line

There is much poverty of clarity of thinking in India on poverty. Obviously, the rich elite that have not experienced poverty and hunger would find it difficult to figure out poverty often discussed by them over a seven-course meal. In 19th century England as industrialization was making progress there was much debate among factory owners about how much they should spend on wages. There was no consensus as such, but there was much support for the view that the workers should get just enough to keep body and soul together so that they can come and work. There was no recognition of the need and entitlement to lead a life of dignity.

One might have expected independent India to be more sensitive than the 19th century English capitalist. Let us look at some key dates:

1867–68

Dadabhai Naoroji in his *Poverty and UnBritish Rule* studied the food required by coolies on voyage in "a state of quietitude" and concluded that the income required for food alone was Rs.16 to 35 per person

7 Business Standard, February 7, 2011.
8 P. Sainath, The Hindu, December 27, 2010.

9 Kapoor Rana, The Hindu Business Line, December 20, 2010
10 IFPRI Discussion Paper 01048, December 2010: Review of Agricultural Extension in India–Are Farmers' Information Needs Being Met? Claire J. Glendenning, Suresh Babu, Kwadwo Asenso-Okyere.

per annum at 1867–68 prices. Naoroji was sensitive enough to point out that he had not included any money for "little businesses, social or religious wants, expense on occasions of joy and sorrow." In other words, Naoroji implied that man does not live by food alone.

1939

K. T. Shah, Secretary, National Planning Commission arrived at a figure of Rs.15 to Rs. 20 a month for an "irreducible standard of living."

1944

As part of the *Bombay Plan* Thakurdas proposed a poverty line that was less adequate than the two previous ones.

1962

The Planning Commission arrived at a figure of Rs. 20 a day for rural and 25 for urban, taking into account food and housing. No allowance was made for health and education as the state was supposed to provide for the same.

The income figure was much less than the 1939 one.

1971

Dandekar and Rath based on NSS data for 1960–61 arrived at a figure enough to buy food for 2250 kcals a day.

We should leave the story here, noting that the retreat begun in 1944 has not stopped. As we saw earlier, Arjun Sengupta's 77% is a cogent, logical assessment. All the disputatious rounds that go on endlessly among scholars only expose the lack of real concern on the part of the non-poor. Incidentally, as early as 1939, K. T. Shah had advocated "rapid and inclusive" growth. At times one gets the impression that'inclusive growth' is a recent discovery. There is a proliferation of debate among economists on the theme "*growth versus social spending*" illustrating our point that those who have not experienced hunger and poverty do find it difficult to figure it out. A food-based poverty line should be renamed starvation line out of consideration to avoid cruelty to the English language.

Let us Go Back to the Question: What went Wrong?

Mahatma Gandhi, the day before he was assassinated came out with his ideas for the nation's future. "Though split into two, India having attained political independence through means devised by the Indian National Congress, the Congress in its present shape and form, i.e., as a propaganda vehicle and parliamentary machine, has outlived its use. India has still to attain social, moral and economic independence in terms of its seven hundred thousand villages as distinguished from its cities and towns. The struggle for the ascendency of civil over military power is bound to take place in India's progress towards its democratic goal. It must be kept out of unhealthy competition with political parties and communal bodies. For these and other similar reasons, the A. I. C. C. resolves to disband the existing Congress organization and flower into a Lok Sevak Sangh under the following rules with power to alter them as occasion may demand.

Every panchayat of five adult men or women being villagers or village-minded shall form a unit.

Two such contiguous panchayats shall form a working party under a leader elected from among them. When there are one hundred such panchayats, the fifty first-grade leaders shall elect from among themselves a second-grade leader and so on, the first-grade leaders meanwhile working under the second-grade leader. Parallel groups of two hundred panchayats shall continue to be formed till they cover the whole of India, each succeeding group of panchayats electing a second-grade leader after the manner of the first. All second-grade leaders shall serve jointly for the whole of India and severally for their respective areas. The second-grade leader may elect, whenever they deem necessary, from among themselves a chief who will, during pleasure, regulate and command all the groups.

(As the final formation of provinces or districts is still in state of flux, no attempt has been made to divide this group of servants into provincial or District Councils, and jurisdiction over the whole of India has been vested in the group or groups that may have been formed at any time. It should be noted that this body of servants derive their authority or power from service ungrudgingly and wisely done to their master, the whole of India):

1. Every worker shall be a habitual wearer of khadi made from self-spun yarn or certified by the A.I.S.A. and must be a teetotaller. If a Hindu, he must have abjured untouchability in any shape or form in his own person or in his family and must be a believer in the ideal of inter-communal unity, equal respect and regard for all religions and equality of opportunity and status for all irrespective of race, creed or sex.
2. He shall come in personal contact with every villager, within his jurisdiction.

3. He shall enrol and train workers from amongst the villagers and keep a register of all these.
4. He shall keep a record of his work from day to day.
5. He shall organize the villages so as to make them self-contained and self-supporting through their agriculture and handicrafts.
6. He shall educate the village folk in sanitation and hygiene, and take all measures for prevention of ill-health and disease among them.
7. He shall organize the education of the village folk from birth to death along the lines of Nai Talim, in accordance with the policy laid down by the Hindustani Talimi Sangh.
8. He shall see that those whose names are missing on the statutory voters rolls are duly entered therein.
9. He shall encourage those who have not yet acquired the legal qualification, to acquire it for getting the right of franchise.
10. For the above purposes and others to be added from time to time, he shall train and fit himself in accordance with the rules laid down by the Sangh for the due performance of duty.

The Sangh shall affiliate the following autonomous bodies

1. A.I.S.A. (All-India Spinners Association).
2. A.I.V.I.A. (All-India Village Industries Association).
3. Hindustani Talimi Sangh (Society for Basic Education).
4. Harijan Sevak Sangh (Society for service' of "untouchables").
5. Goseva Sangh (Society for Cow-protection and Improvement).

Finance

The Sangh shall raise finances for the fulfillment of its mission, from among the villagers and others, special stress being laid on collection of the poor man's pice.

– Harijan, 15-2.1948"

It is easy to dismiss the Father of the Nation's advice as the empty unrealizable dreams of a utopian out of touch with hard realities. Let us recall to ourselves that when Gandhi electrified the masses, transformed the Indian National Congress into a national body of fighters for freedom from a meek, timid, petition-submitting body that met around Christmas time for a few days and then went into hibernation, and demanded independence for India, many dismissed him as a hopeless utopian. In the 1930s there was a learned professor in the Cambridge University who believed in three immortalities: Immortal God, immortal soul, and the immortal Cambridge University.

It is not that Gandhi imagined in a fit of idealism that India could do without political parties. He knew that corruptible political parties will be formed to capture power for advancing partisan interests and to steal from the public. But, as a counter weight to that, he wanted a few of his Congressmen and women whom he had transformed from the lead of selfishness to the gold of self-sacrifice for the good of the nation, to organize themselves into a big NGO and work for the progress of India. Gandhi was realistic enough to foresee that government run by power-seekers will fail to deliver justice and development and that inevitably democracy will move towards elitocracy, a government of, for, and by the elite.

Gandhi gave a talisman to those who are holding public office

"I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man [woman] whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him [her]. Will he [she] gain anything by it? Will it restore him [her] to a control over his [her] own life and destiny? In other words, will it lead to swaraj [freedom] for the hungry and spiritually starving millions? Then you will find your doubts and your self melt away."[11] It has been proved that those who hold political power in India do not wish to make much use of Gandhi's talisman, with a few exceptions.

Therefore, we conclude that one of the main reasons for India's lack of progress in eradicating poverty, hunger, and injustice is that we expected and depended on the government to deliver development. The government cannot deliver for the reason that it is infiltrated by a rising number of criminals at the political level–according to the current Chief Vigilance Commissioner more than 28% of the Lok Sabha MPs have criminal charges pending against them. As regards the bureaucracy, a certain number of them join the service in order to make money. There was a time when if it was said that A was an IAS officer it implied that he was honest and incorruptible. Is it the case now? The Uttar Pradesh IAS Officers Association comes out with the list of the corrupt among their colleagues.

Apart from corruption or rather corruptibility, there is an in-built inefficiency and lack of accountability

11 Source: Mahatma Gandhi [Last Phase, Vol. II (1958), P. 65.

about the bureaucracy barring honorable, but alas, few and far in between, exceptions.

The nature and limitations of government as a delivery vehicle is the first and major cause of India's slow development. The second major reason is that our prevailing economic philosophy is deeply flawed. We adore GDP growth as the Jews did adore, for a while, the golden calf, abandoning the Lord who delivered them from Egypt. The story is in *The Exodus*. As Moses took longer than expected to return from Mount Sinai where the Lord was giving him the Ten Commandments, some people persuaded Aaron to make a golden calf.

Before applying our mind to a critical scrutiny of globalization that is the dominant trend in our times, it will be useful to remind ourselves of the four classes of idols that Francis Bacon has identified in his book *The New Organon* published in 1620. There are idols of the Tribe, of the Cave, of the Market Place, and of the Theatre. We need to deal only with the last two for our purposes. The idols of the market place are the fallacies caused by the obscuring of the intellect by words. The idols of the theatre are false systems of philosophy and perverted rules of demonstration established, like stage plays, without much regard to reality.

Take the case of GDP growth. Gross Domestic Growth is indeed gross. It does not make any difference whether money is made by selling poison or bread. It does not matter who or what is growing, whether it is the wealth of the majority of the people, especially of the poor or that of the rich. The combined wealth of the Indian billionaires increased from US$ 106 to 170 billion in the single year 2006–07. The increase in wealth was 60%. How was it possible? It was possible because land was transferred to the corporations for mining, industrialization, and for establishing special economic zones. All such transaction was made in the name of 'public purpose.'[12]

Let us examine the idea that it makes sense to make a single market of the whole world. Does it make sense to get broiler chicken from Brazil for us in India even if it works out cheaper? Should not a country of India's size and climatic variety be reasonably self-sufficient in basic food items? Let us compare the European Union with its population of 500 million and India with its population of 1150 million. The purpose of the European Union is to have a single market for itself. In fact, the foreign trade of European Union is much less than its internal trade. The trend of an expanding internal trade and a relatively shrinking external trade in the Union has been well established. Would it not make more sense for India to emulate the good example of European Union rather than open up India to imports from all over, especially China?

Currently, India exports goods worth US$ 20 billion a year to China, mainly raw material, and imports from there machinery worth US$ 40 billion. Is it good for India? Further, is globalization as it is occurring sustainable? At this rate over time China will be making all the TV screens and shoes, to mention only two of the many articles of daily use, and exporting the same to the rest of the world. What about the job losses in the importing countries?

This consideration about disappearing jobs brings to our mind one of the serious flaws in the prevailing philosophy for which the best acronym is LPG (Liberalization, Privatization and Globalization). If an export-led growth is aimed at it is necessary to be price-competitive in the global market. To be price-competitive it is necessary to out-source, to increase mechanization, and to casualize labor, and, in general to increase productivity per worker so that the workforce can be reduced even as production increases as we saw in the case of the Pune plant of the Tatas. There is need for job-creation oriented growth. Mechanization and other means for increasing productivity per worker are good for the company, but not necessarily for society. Hence, we have to strike a just balance between what is good for society as a whole and what brings profit to the company.

The next point we want to mention is that unless the government seeks out good NGOs and works with them India's progress towards social justice, social harmony, and the eradication of poverty and illiteracy will remain slow. It was Einstein who defined insanity as doing the same thing over and over again expecting different results.

A word about the quality of governance in the development sector: In a recent article on food grains policy, Kaushik Basu, Economic Advisor to the Finance Minister has made some cogent points: *"The simultaneous occurrence of high food inflation and large food grain stocks in our granaries has been a matter of concern. The aim of this paper is to understand the fundamentals of our food grain market and policy that lead to this situation and to suggest policies for rectifying this. The central argument of the paper is that it is imperative that we look at the entire system of food production, food procurement and the release and distribution of food. Trying to correct one segment of this complicated system is likely to end in*

12 Bhaduri, Amit, opus cite, p. 72.

failure. The paper argues that there are two different motives for food grain procurement by the state – to provide food security to the vulnerable and to even out food grain price fluctuations from one year to another. Further, how we procure the food has an impact on how we release the food, and vice versa. Inspired by the sight of food grain going waste, it is often made out to be that our central problem is that of poor food grain storage. This paper disagrees with this popular view. While we no doubt should improve our storage facilities, it is important to be clear that this in itself will not lower the price of food. To achieve that we need to redesign the mechanics of how we acquire and release food on the market."

The crucial point made by Basu is that the decision to off-load stock into the market should be automatically taken based on an agreed formula, and not as a Cabinet decision. The government has failed to off-load into the market the right quantity at the right time. Basu is right. But, is it not strange that a senior advisor to the Government should be saying decades after we introduced the system of public distribution that "it is imperative that we look at the entire system of food production, food procurement and the release and distribution of food….." Where is the intelligence in government? The individuals in the government are, no doubt, intelligent, and often, well intentioned. But, what about the system? That is the challenge before us as a people and therein lies the fundamental question of the quality of governance. I do not believe that it is beyond the intelligence of the Indian people to make their government more responsible, more responsive, and smarter.

It is indeed sad to witness the disputatious debate between the National Advisory Council and the Prime Minister's Panel about the number of people to be covered under Food Security and the quantity of food grains to be given and the price to be charged. At times the debate is mediated by the media. As so many human beings are hungry and some of them die every day, will it not make sense for the two sides to meet over coffee and sort it out? Why do we as a nation want to score debating points over each other?

A POLITICAL AGENDA TO MINIMISE WAGES

Sowmya Sivakumar

Sowmya Sivakumar is a writer, researcher and activist based in Jaipur, Rajasthan for the past several years. She works closely with the Right to Information and Right to Work Campaign in the state and has written on many issues relating to the implementation of the RTI and NREGA Acts since their inception. She along with Eric Kerbart are founders of Research for People, a forum that believes in doing grassroots research by and for people from marginalized and less-privileged communities. Besides the right to information and right to work, areas of research include caste, Panchayati Raj, gender and power.

As this article is being written, a letter pending action sits in the PMO, from none other than the ruling party president and National Advisory Council (NAC) chairperson Sonia Gandhi. Written and signed by her on November 11th 2010, the import of this letter has been dictated by millions of labourers in the country. Their demand is as simple as it can get – they want to be paid the minimum wage rate in their state, for work done by them under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

That such a right actually has to be demanded and fought for itself seems inconceivable in a democracy whose Supreme Court unequivocally upholds that a wage payment lower than minimum wages violates Article 23 of the Constitution and hence amounts to 'forced labour'[1]. The supreme irony is that the offender is the government itself, and the violation is taking place on its own works. But it has taken 47 days of public protest by activists and labourers in Rajasthan, hectic parleys with the government, a high court judgment in Andhra Pradesh, letters from Rajasthan government to the centre and from the Chief Ministers of AP (now ex) and Rajasthan to the Prime Minister, urgent recommendations by the Central Employment Guarantee Council (CEGC) working group on wages, scathing public statements by disgruntled NAC members and an open statement signed by 15 eminent jurists including 2 former Chief Justices of India to have this letter from the NAC chairperson shot out to the PM – and even now, the matter is on the bubble.

Behind the Scenes

How have things come to such a pass? For this, one needs to recognize the complex political interplay with various economic forces since even before the now-40000 crore MGNREG Scheme came into being. Let's cut to 2004, the comeback year for the Congress and when NREGA became the new political mantra. The Congress election manifesto then declared "A National Employment Guarantee Act will be enacted immediately. This will provide a legal guarantee for at least 100 days of employment on asset-creating public works programmes every year at *minimum wage*, for every rural household" (bold for emphasis).

By the end of the same year, the NREGA in its bill form was waiting in the wings of Parliament. Far removed from the general euphoria that it was generating across the rural landscape, an interesting drama was being enacted in the corridors of power with enormous implications for its many million intended beneficiaries, years after the legislation was passed.

Among its chief protagonists were the finance ministry and the law ministry. It is significant to note that the original versions of the NREG Bill contained the term "minimum wage rate" throughout the text of the bill. A week before coming to Parliament, the term "minimum" was mysteriously dropped and only "wage rate"

1 Sanjit Roy vs. Govt of Rajasthan, 1983.

remained everywhere. This 'wage rate' was defined in the NREGA Act (Chapter 1 section 2(s)) as - "wage rate means the wage rate referred to in section 6."

And it is this Section 6, which crucially defined the wage entitlements for NREGA beneficiaries, that was also tampered with on the eve of coming to Parliament. Authentic sources reveal that there was originally only a section 6 without any bifurcation into 6.1 and 6.2. This version unambiguously declared the minimum wage rate of the state fixed by the state governments (under section 3 of Minimum Wages Act 1948) for agricultural workers as the NREGA wages.

Section 6.1 with the non-obstante clause "notwithstanding anything contained in the Minimum Wages Act 1948" was silently inserted a week before coming to Parliament, replacing the original section 6 and giving the centre overarching powers to notify any wage rate for NREGA workers as long as it was not below Rs. 60 a day-an arbitrary figure which was already lower than minimum wages in many states in 2005.

The people's campaign for right to work, the moving force behind the NREGA which had practically framed the initial draft of the bill, came to notice this insertion in the nick of time and few hours before the bill came to Parliament, managed to ensure that a section 6.2 was inserted with the phrase "until such time as a wage rate is fixed by the Central government in respect of any area of a state" added on.

However, this formula only bought time, and although the Act came into force with section 6.2 at work across the country, the power to determine NREGA wages was now near-irrevocably in the hands of the Centre.

The intent behind modifying section 6 is not difficult to guess. Right from the beginning, the finance ministry opined that allowing states to determine the wage rate in a scheme where the centre will be footing the bill would have "serious financial implications" on the budget. While this concern was not totally baseless, we will see later how it did not hold any water, and instead lead to the other extreme of undermining the NREGA wage rate.

Apprehensions over an upward pressure on budgetary allocation for NREGA gathered steam over 2007–08, when certain states like Uttar Pradesh did jack up their minimum wages and the idea of activating section 6.1 was seriously considered. On May 8th 2008, a meeting of the PMO with ministries of Rural Development, Finance, Law and the Planning Commission was convened on the issue. All agreed to activate section 6.1 and the need to 'cap' wages. But while the Finance ministry suggested a uniform wage rate of Rs. 80 per day for the entire country, the RD ministry opined that the prevailing minimum wages for agricultural workers in the states should be notified as the wage rate under section 6.1. The Law ministry vetted the RD ministry's option. Notably, in the meeting with all state RD secretaries on August 14th 2008, they commonly expressed a preference for the continuation for section 6.2, but said if 6.1 had to prevail, then the RD ministry's suggestion was preferred (to the Finance Ministry's) ***provided a mechanism was instituted for wage revision on a state's request, supported with justification.***

Thus crept up a Gazette notification on 1st January 2009, signed by Joint Secretary (NREGA) Amita Sharma, that 'froze' the NREGA wage rate at the minimum wage rate prevailing in each state as of December 1st, 2008. The January 1, 2009 notification gave license to what a section of the government was secretly pushing for, but by violating the Minimum Wages Act[2] and simply, legalizing an inhumane wage for NREGA workers.

The Build-Up to the Rs. 100 "Cap"

At about this time, the electorate was gearing up to Lok Sabha Elections 2009. The Congress manifesto 2009 went on to say, "……the Indian National Congress now pledges at least 100 days of work **at a real wage of Rs. 100 a day** for everyone as an entitlement under the NREGA." This was reiterated by the Finance Minister Pranab Mukherjee of the re-elected UPA government in his July budget speech.

Then there was the Andhra Pradesh High Court order. On 3rd July 2009, the Court suspended the operation of Section 6.1 under the MGNREGA in the case of a writ petition (no: 11848/2009) filed by NREGA workers stating that the "Government, being the agency for implementing minimum wages, cannot itself violate minimum wages." AP was one of the states where the disparity between notified wage rate for NREGA workers (at Rs. 80 per day) and state minimum wages (Rs. 125 per day) was significant, and the labourers were not taking this sitting.

2 The unconstitutionality of the January 1, 2009 notification is supported by a legal opinion from Ms. Indira Jaising, Additional Solicitor General, on the validity of Section 6(1), the permissibility of overriding the Minimum Wages Act, and related matters, sought by the CEGC Working Group on Wages and an Open Letter signed by 15 eminent justices and lawyers in support of the campaign.

In view of all these developments, a meeting was convened on 10th July 2009 under chairmanship of Secretary, Rural Development, GoI.[3] According to the minutes of this meeting, there was more than one reason for worry. Firstly, it was pointed out that the states of Tripura, Karnataka, Punjab, WB, MP, HP had requested an amendment of the January 2009 notification as their state minimum wages were now above the notified wage rate. Secondly, the AP High Court, which had struck down the GoI's January 2009 notification as un-constitutional, had also served a notice on the central government asking for a reply within 4 weeks.

The third and most worrisome issue perhaps came from the government's own "commitment" to give a real wage of Rs. 100 to NREGA workers. In this regard, it was informed at the meeting that 20 states had a notified wage rate of less than Rs. 100 at that point of time. " If the wage rate of these 20 States/UTs be revised to Rs. 100…and for remaining States/UTs where wage rate is more than Rs. 100 is kept as such, there will be legal implications that wage rate under section 6(1) will either be equivalent or more than minimum wages notified under the Minimum Wages Act 1948 for the time being and it will have financial implications of requirement of additional resource," mulled the participants of the meeting.

The Additional Secretary and Financial Advisor Arvind Mayaram actually commented that the Finance Minister had only said "**we are committed** to provide a rural wage of Rs. 100 as an entitlement under NREGA… ."and he had not said "**we shall provide** a rural wage of Rs. 100…"[4] All those present, expect the Joint Secretary, Labour and Employment[5], subscribed to the view that the NREGA was above the Minimum Wages Act and state governments should come forward and ask for an enhancement of wage rate to Rs. 100 wherever it was less than Rs. 100.

Nowhere did the concept of real wage rate figure in this discussion, nor what would happen when minimum wages in the states rose above the Rs. 100 mark, as it rapidly did with escalating prices.

On the lines of this July 10th meeting, a policy direction was issued on 3rd December 2009 by Amita Sharma, JS (NREGA) to all state governments, which effectively capped the NREGA wages at Rs. 100 and moreover, put states at the mercy of the centre: "Proposals received from State Government for wage revision under section 6.1 of NREGA may be considered and acceded to by the Central government and notified, subject to the ceiling of Rs. 100 per day. Anything higher than this would be paid by the State Governments from their own budgets. States with Wage Rates above Rs. 100 per day, as notified by the Central government on 1st January 2009 will be retained at that level." Significantly, this letter also stated that in future, states would first have to submit proposals for wage revisions to the central government and the rate approved by the latter would be applicable.

The CEGC's Advice and its Total Disregard

It is pertinent to note that the switch to section 6.1 through the January 2009 notification itself was done against the advice of Central Employment Guarantee Council (CEGC) members, repeatedly expressed in their various meetings and reiterated in their deliberations on June 5, 2008 at a special meeting of the Council chaired by the then RD Minister Raghuvansh Prasad Singh.

In March 2010, the RD ministry constituted six working groups "to strengthen the implementation of MGNREGA", on its different facets. In its report[6], the working group on wages under the chairmanship of economist-activist Jean Dreze criticized the wage freeze at an already low Rs. 100 noting that real wages of NREGA workers were eroding rapidly with price increases. It put forth three emergency recommendations - The first was to immediately index NREGA wages to the price level, using the Consumer Price Index for Agricultural Labourers with April 1, 2009 as the base so that real wages worked out to at least Rs. 100. Importantly, it said, this had to be revised upwards every 6 months or at least 12 months, in line with the CPIAL. The second; it insisted that the NREGA wage policy should be brought in line with the Minimum Wages Act and thirdly, it stressed on a return to a seven hour work schedule for NREGA workers from nine hours.

The report also demonstrated that the fear of states fixing runaway wages or 'wage inflation' – which seemed to drive the entire policy of delinking NREGA

3 This meeting, chaired by Secretary, Rural Development was attended by Arvind Mayaram, AS&FA, Ministry of Rural Development, Meena Agarwal, JS, Department of Expenditure, R.Gopalakrishnan, JS, PMO, B.N.Kaithal, JS, Department of Legal Affairs, Harcharan Singh, JS, Ministry of Labour & Employment and Amita Sharma, JS, NREGA.

4 Apart from the utter derision his comment evokes, one wonders if he really said "rural" wage instead of "real" wage or there was an error in recording the minutes.

5 To his credit, the JS Labour and Employment pointed out at this meeting that Minimum Wages Act 1948 guarantees minimum wages to workers and there cannot be a wage rate less than the minimum wage rate under any circumstances.

6 The full report and ministry's responses can be accessed at www.nrega.nic.in.

wages from minimum wages and capping it – was unfounded as "the growth of NREGA wages had actually been quite modest during the three years that preceded the January 2009 notification. At the all-India level, the growth rate of NREGA wages in real terms was lower than the growth rate of per-capita GDP before the said notification, and turned *negative* after that." In fact, the growth rate of real wages in half the states had actually been negative in the three years preceding the notification, with substantial rises only in a couple of states.

Things came to a boil when, after a month and more of silence, the MoRD rejected the crucial recommendations of the working group. In its response to the recommendation of indexing wages it simply bought time saying, "Mechanism and criteria for Indexing of wages including periodicity of review will be done through inter- Ministerial consultation such as with the Department of Expenditure and Ministry of Labour & Employment after receiving the recommendations of Dr. Pronab Sen Committee[7]." On the recommendation that the Minimum Wages Act should not be overridden under any circumstance, it point-blank said "This is not feasible. The wage rates fixed under Section 6 (1) of the Act are distinct from the minimum wages. The provisions of the Act have to be respected."

The Mazdoor Haq Yatra and Jaipur Satyagraha

Let us not for a moment forget in this whole insidious political game, that on the ground, the actual average wages paid to NREGA workers have consistently worked out below the "minimum" wage – whether it be the state's minimum wage itself or the wage rate notified by the central government. The entire gamut of measurement issues and payment delays that field studies have amply demonstrated in turn implies a 'taking away' from this already frugal prescribed minimum, actually a maximum for the workers.

Opposing this tooth and nail, labourers and people's movements in Rajasthan went on a "Mazdoor Haq Yatra" in September covering by truck the length and breadth of the state. In the meanwhile, the state minimum wages were revised from Rs. 100 to Rs. 135 on 27th September 2010, but this not being applicable to NREGA workers.

The indefinite *dharna*, termed Mazdoor Haq Satyagraha was a culmination of this Yatra in Jaipur. It raised innumerable NREGA-related issues and dialogued with the state and centre in the course of the 47 days it lasted. Notable among these was the shocking instance of 99 workers from Gudaliya village, Tonk district in Rajasthan who found a payment of Rs. 1 per day awaiting them for work done by them in April 2010. The labourers refused to accept the payment and the government refused to accept the blame[8].

The Mazdoor Haq Satyagraha received widespread support cutting across states, communities and class. The Rajasthan Chief Minister Ashok Gehlot, supporting the campaign's demand, wrote to the Prime Minister on November 1, 2010 asserting "…the demand appears to be fully justified for the reason than the Consumer Price Index and risen by 924 points between January 2008 and June 2010, whereas the minimum wage rate under the MGNREGA has not been correspondingly raised… …I request that the minimum wage rate, as notified by the State Government, may be finalized by the Central government at the earliest, so that the enhanced minimum wage rates become applicable to NREGS workers within the state as well, at the earliest."

Much to the embarrassment of the centre and personally to R. D. Minister C. P. Joshi[9], the then-CM of Andhra Pradesh K. Rosaiah wrote a letter on November 4th to the Prime Minister "requesting compliance to the orders of the Hon High Court of AP in WP 11848/2009…" "Ministry of Rural Development did not challenge the order in higher courts and therefore, the orders of the High Court have become final. Non-compliance of the orders which have become final apart from inviting contempt of courts, cause embarrassment to the Government," he averred. The centre till date stands in contempt of court.

The dharna ended on an upbeat note, that a letter from the ruling party president Sonia Gandhi to the PM - requesting the decision of the NAC body on 23rd October 2010 that "workers under the MGNREGA need to be paid minimum wages under the Minimum

7 The recommendations of this Committee is still awaited.

8 According to an article in The Hindu website, RD minister C. P. Joshi was "unrelenting on intervening in the controversy surrounding the payment of one rupee as wage to workers in Tonk district of Rajasthan, saying that they had not performed any work. He took the stand that the government could not go beyond the provisions of the MGNREGA and even argued that the law courts would not entertain their petitions." As of now, Rajasthan government has assured that the district Collector, Tonk will take necessary action by 30th November.

9 On November 1st, RD minister C. P. Joshi came up with 'news' on CNN-IBN, that the Supreme Court had given a stay in the case of the Andhra HC judgment which he tried to wriggle out of when pinned down by the same TV channel correspondent the next day.

Wages Act 1948" be quickly examined by the PM and acted upon – would be taken seriously.

Democracy at Stake

The entire wage issue in MGNREGA and the larger minimum wage debate can be summarized in a phrase – a battle over resources in a purported democracy. But, unlike what the centre would like to make it out to be, it is everything but a financial constraint. The NREGA allocation is less than 1% of the GDP; a small price to pay for a potential-laden scheme benefitting millions of workers living on the margin. In the bigger scheme of things, the real battle comes down to the corporate and powerful lobbies versus the laboring class, with the government cozying up to the former even if at the cost of some gross legal and fundamental human right violations on the latter.

In this long drawn out battle, one gets to see that the non-payment of minimum wages in NREGA is not a constitutional violation alone. It becomes a moral issue to which every Indian citizen needs to wake up to. Can a country growing at 8–10% a year and pampering its powerful not even afford a minimum wage for its laboring class, which is already below a living or fair wage?

In the course of the dharna in Jaipur, striking statistics were compiled to drive home the point. For instance, the Rajasthan government earned Rs. 19000 crore in taxes last year but spent Rs. 22000 crore in salaries and pensions, bequeathing a deficit of Rs. 3000 crore on the people.

From 2008 to 2010, the Collectors' monthly income rose by 70%. The Junior Engineer, the teacher and the *patwari* saw their incomes go up by 36%. The sarpanch saw his honorarium raised to Rs. 3000 from Rs. 500. But the NREGA workers' maximum wage entitlement remained at Rs. 100 a day.

As further action on the minimum wages issue in NREGA is awaited from the PMO, there is bound to remain some fundamental, unsettled questions for time to come. Even if the PM would issue the green signal for restoring minimum wages on NREGA works today, a lingering unease that will remain in people's minds will be – **what took him so long**? Is there anyone in his government who has worked out the huge opportunity cost to embittered workers - already victims of delayed payments, and on top, 'capped' by a ceiling rate lower than what they are legally, humanly entitled to? And why is the UPA government which rode on the NREGA wave for two consecutive elections, doing everything in its capacity to undermine it and its credibility?

Amidst the many serious corruption charges faced by various arms of his government, the Prime Minister Manmohan Singh stands to confront yet another crucial fire test that would expose which brand of democracy he actually stands for.

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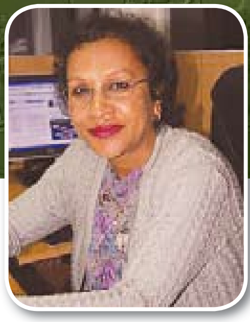

GENDER AND PRODUCTIVE RESOURCES: WOMEN'S ENTITLEMENT TO LAND, LIVESTOCK AND ENERGY THE CASE OF MEGHALAYA

Patricia Mukhim

Padmashri Patricia Mukhim is a well-known name in Northeast India. She is an eminent journalist from Meghalaya and the first woman from the Northeast to receive the President's Award. Ms. Mukhim is deeply involved in the social upliftment activities of the people of Meghalaya. In 1995, she was conferred with the "Chameli Devi Jain Award" given to an outstanding women media person by the Media Foundation, New Delhi. She was also conferred the most prestigious national title "Padmashri" by the President of India in 2000. Ms. Patricia Mukhim has gathered vast experience in the fields of conflict management, consumer rights, issues of corruption in government, gender sensitization and rural poverty. Currently, Ms. Mukhim is serving as Director of Indigenous Women's Resource Centre, Shillong and also is a member of the District Consumer's Forum. She also is the Vice President in the Governing Board of Indo-Global Social Service Society (IGSSS).

Productive resources for indigenous people come from mother earth. Whether we look at land, water, forests, energy or biodiversity it is the earth that is the only supplier. But continued exploitation of the earth and its resources by global capital in indigenous peoples' areas has resulted in large scale deforestation, loss of land to mining and logging, poisoning of rivers and unsustainable agriculture leading to food insecurity. India's North East is rich in mineral, forest and energy resources. It is still called the bio-diversity hot spot of the country because of the huge and diverse range of flora and fauna. Medicinal plants and herbs abound in the forests of the North East. This region supports nearly 63% of the forests in this country, according to statistics culled about ten years ago. Needless to say things have now changed drastically.

Women in all the North Eastern states barring Meghalaya do not own land. Except for Meghalaya, where people practice the matrilineal culture and derive lineage from the mother's clan, all other tribes follow a very strongly embedded patriarchal culture. Women virtually own nothing unless they are able to buy land out of their own earnings. In Mizoram, Nagaland, Manipur, Assam, Tripura and Arunachal Pradesh a divorced woman gets nothing at all. No land, no moveable property and no children. She moves out of her husband's home and receives maintenance only if the husband is employed in government or other public institution. Lanthanzovi, a lecturer in a government college in Mizoram says these days educated women who earn their own salaries can buy land in their names but such privileged women are still very few. Some parents will a portion of land to their daughters but the major share goes to the sons. But these are scattered practices that do not make the rule. The case is similar in all other North Eastern states. Often studies have shown that women may own land but do not actually control how that land is used.

In this connection, Meghalaya makes an interesting case study. In Meghalaya, land belongs to clans, communities and individuals. They are classed as 1) Ri Raij (community land) 2. Ri Kynti (land belonging to individuals) 3. Ri Kur (clan land). No cadastral survey has ever been carried out. Mapping of areas belonging to different owners is unheard of. Villagers still adopt the practice of making a river, tree or a hillock as a landmark for their boundaries. This creates enormous problems in the present scenario because the people of Meghalaya are no longer all agrarian or pastoral nomads engaged in *jhum* or shifting cultivation. A good number are engaged in settled agriculture or are service employees with government or non-government institutions. Many are also engaged in small and medium scale businesses.

But in Meghalaya women have traditionally owned land and other productive resources even if they exercised limited control over those resources. When land was not yet commodified, they have had control over how land was used, what livestock to rear and even where and when to sell the livestock. But things are changing very fast. With the advent of the market economy, land, forests and water bodies which used to be community resources over which women also had some kind of share, are now owned by a few tribal elite. Large tracts of forest lands which used to belong to clans and communities (Ri Kur and Ri Raij) have been surreptitiously converted to private land (Ri Kynti) without the knowledge of the communities. A tribal clique of men then signs off their rights over these lands to national and multinational companies even though there is a Land Transfer Act in Meghalaya which denies permission for sale of land to non-tribal individuals and entities. However, there is a clause which says, "Land can be alienated in favour of non-tribals if it is to be used in tribal interest." This has allowed land to be sold/leased/transferred either by benami or by stating that it is in tribal interests.

A recent example is the transfer of over 100 hectares of thick verdant forests in the Southern belt of Meghalaya to Lafarge Umiam Mining Private Limited (LUMPL) for mining of limestone. This area, called Shella is adjacent to the Bangladesh border. LUMPL supplies raw material to Lafarge Surma's $ 225 million cement plant at Chhatak in Bangladesh. Lafarge and Spanish cement producer Cementos Mollins had set up the state-of-the-art fully integrated cement plant at Chhatak with a captive power plant of 300 MW. This was done without getting the environmental impact assessment which is mandatory. The case is now in the Supreme Court after a group of residents from Shella complained that they were not consulted when land was transferred to Lafarge.

Impact of Logging and Other Forest Activities on Women's Livelihoods

Traditionally women have had access to forests and to non-timber forest products such as mushrooms, medicinal herbs, resin, forest vegetables etc. These were sold in the local markets and women earned their livelihoods without disturbing the equilibrium or biodiversity in the forests. *Jhum* fields which were created by clearing parts of the forests also helped them grow enough grains and vegetables for their food security. Today the alienation of forests in the name of private individuals for logging has reduced the biodiversity of Meghalaya and other North Eastern states and also deprived women of their traditional livelihoods. Ironically, these private forests are today held in the names of male members of the society.

Forests have also been cleared for coal and limestone mining in Meghalaya. A recent study conducted in Jaintia Hills district which has the largest deposits of coal and limestone in Meghalaya shows that women have had to abandon their farming practices because land is no longer available. Women now have to engage in petty business, earning a pittance daily and are unable to make ends meet. Since Meghalaya also has an extraordinarily large number of female-headed households and because in matrilineal Meghalaya, after being abandoned by the husband, children continue to live with their mothers, ensuring livelihoods for women becomes even more important. It is this adversity which has forced women to mortgage or sell even whatever land they own. Health problems of family members, is of course another reason for selling off house and property.

Impact of Mining Activities and Deforestation on Water Bodies and Thereby on Women's Livelihoods

In the coal-mining areas of Jaintia Hills two very pristine rivers the Lukha, the and Waikhyrwi, rivers have turned poisonous and no longer support aquatic life. The once clear waters have now got a bluish tinge. Scientists have declared the waters highly acidic and no longer potable. Hydro-electric projects built by damming the Myntdu and Kopili rivers have now become unsustainable because of the low pH levels. Women who also have to fetch water now have to travel longer distances because the waters available nearby are no longer potable. Those who are well-off (coal mine owners) are buying water but they constitute less than .01 per cent of the population. The rest have to get up at 4 am in the morning to fetch water from as far as a five kilometer distance.

The low pH content of water has also affected the soil, so whatever farming activities used to be carried out in and around those areas have now stopped because farming is no longer productive. Jaintia Hills used to be a rice-producing district. Now it can no longer meet the consumption needs of the people of the area. They are increasingly dependent on imported rice. However, areas away from coal mines like Shangpung etc., are still productive. Jaintia Hills continues to produce the best turmeric with a high curcumin content (as high as 9 in medical terminology). This is one activity that women still control, right from the growing stage up to the packaging and marketing stage. But there is need to upscale this activity to make it more viable. Also it is important to protect the intellectual property rights.

In Meghalaya, many women earn their livelihoods by washing clothes. On a daily basis they earn Rs. 100 and some Rs. 200 depending on how many clothes they can wash. This washing activity happens around a river or spring which used to be well-conserved. But in recent times such springs have dwindled owing to the deforestation of catchment areas. Hence one important source of livelihood for poor indigenous women stands threatened on account of uncontrolled logging and felling of forests.

The conversion of community land and common property resources such as water bodies and catchments into privately owned lands has had two major impacts. One the private owner appropriates a community resource and begins to sell water which was once freely available. Secondly, there are construction sites coming up around catchments or water sources. The aquifers are destroyed forever. In this era when availability of fresh water is becoming one of the major challenges, the rapid destruction of available fresh water sources could prove to become a major disaster for indigenous peoples. Sadly Governments claim they have no control over private lands and therefore say they can do nothing. The people have yet to mobilize themselves along these critical issues.

Women's Right Over Livestock and Agricultural Produce

It is observed that women own and control petty livestock such as free-ranging chicken and locally-grown pigs that are usually susceptible to diseases. Whenever we talk of up-scaling livestock-rearing activities then male members enter the picture. They get training from the veterinary department and get piglets at subsidized rates from the Indian Council for Agricultural Training (ICAR). The entire process of rearing broiler chicken and marketing them is a male activity. They exercise control over procurement of the livestock, the feed and the organized marketing. Since the Veterinary Department is also male-centric they find it easier to interface with male members who are considered more free (women are tied up by domestic chores) and able to attend training as well as avail of other medical facilities for their livestock. This therefore means that men control the incomes from livestock. What is ironic however is that women cook the food for pigs and also feed them but they hardly question their ownership and control rights over the livestock. Gender mainstreaming in Government departments has yet to take root. Gender budgeting which would have ensured equal access for women and men to agricultural, horticultural and veterinary training has not yet been introduced.

After the implementation of the NREGA it was found that several fish ponds have been dug as a means of gainful employment for the villagers, both women and men. But a test check found that the land on which the fish ponds were dug belonged to a private party. As stated earlier, land is increasingly being bought in the names of male members of society whenever any business enterprise is envisaged.

Women's Access and Entitlement to Energy

Energy or fire (shakti) while a female entity in its concept has tended to become part of the male vocabulary and male control after water or coal is converted into 'power,' or electricity. This form of energy which is commodified and metered and has to be paid for is no longer under the control of women. Many women cannot afford to use electricity except for the single dimly-lit bulb to light their homes. For cooking purposes village women still depend largely on firewood. They go the forests but do not bring down trees. They only collect twigs and dry branches and do some pollarding to get their daily needs of firewood for cooking purposes. But the dwindling forest cover has now forced them to buy firewood which in turn is becoming very expensive. Although women know how to make the best use of their *chulhas* for maximum energy with reasonable consumption of firewood, their wisdom is hardly documented or regarded as efficient use of energy. The *chulhas* with multiple outlets can cook and boil water simultaneously while firewood is used only from one opening.

In Meghalaya, as in other North Eastern states, energy for warming during winters still comes from charcoal. Although the Forest Department has banned production of charcoal on account of loss of forests, charcoal production still continues at a devastating rate. The reason why charcoal use has suddenly shot up is because the ferro-alloy industries in the export promotion zones literally guzzle this energy-giving element. This has in turn deprived the poor of their only source of warmth also because charcoal is becoming unaffordable.

The conclusion then is that most of the productive resources are slipping away from the active control of women. Whereas in other North Eastern states there is a move to change the customary practices that deprive women of their share in natural resources, including land, water, energy and livestock, and advocacy groups are pushing for a more gender- equitable use of such resources, in Meghalaya there is as yet no attempt to relook at the customary laws and practices that make women only the nominal owners. This is because of the myth that women have access, ownership and control over land when actually they do not really control the use of land and other natural resources.

Customary Practices and their Impact on Women

Meghalaya like other North Eastern states has retained its customary laws and practices and its traditional institutions. Customary laws have not been codified and leave ample scope for their arbitrary application. No two cases are dealt with in the same manner or with the same yardstick. Very often there is a conflict of interests between traditional bodies, the Government and the district councils, the last having been created by virtue of the Sixth Schedule of the Constitution. The prime objective of the District Councils was to control and administer over tribal lands and forests, and to be a custodian of customary laws and practices. Because of the pre-existence of the District Councils, the 73rd and 74th amendment acts of the Constitution were not implemented in Meghalaya. The feeling was that grass-roots institutions are already in place. The ambivalence however is that the Dorbar Shnong (local traditional institution), which is the grass-roots administrative unit in a village/locality, has no place for women in its administrative structure. Debates as to whether the District Councils can assume the status of the *Panchayati Raj* are carrying on.

All the three major tribes the Khasis, Jaintia and Garo practice the matrilineal culture. This means that lineage is traced from the mother's clan line. Compared to women in the rest of the region and in the country, women in Meghalaya certainly appear to be better-placed because (i) they perpetuate the clan (ii) there is no dowry system (iii) unmarried women are not under any pressure to marry (iv) marriage is purely by choice and mutual consent and not arranged (v) co-habitation or what modern couples call "living together" is part and parcel of Khasi customary practice and not a taboo. In fact Khasi society never considered polygamy to be immoral as long as the husband was in a position to cater to the emotional, financial and material needs of his wives and off-springs.

Khasis have tended to depend on the strength of the clan. In the past, the clan did look after its destitute members and therefore it was a sort of buffer against adversities. But with modernization and the attendant economic challenges as well as the tendency to accumulate, as against the old practice of equal distribution of resources, clan ties are weakening. Individual households tend to fend for themselves. If at all the clan helps, it is only by way of a one-off donation for meeting emergencies such as sickness or death in a family.

In Khasi society, the youngest daughter (*ka khatduh*) is the custodian of ancestral and parental property, and not an inheritor as British historians like Keith Cantlie would like to believe. Scholars interested in deeper understanding of Khasi society will discover that very few clans like the *Mawri, Nongkhlaw, Kharkongor, Khyriem, Marbaniang, Blah, Syiem, Lyngdoh* etc. in East Khasi Hills, the *Laloo, Rymbai*, etc. of Jaintia Hills, the *Marwein, Lyngdoh* etc. clans of West Khasi Hills are among the landed gentry. Not all Khasis own property enough to distribute to all the daughters, with the desirable practice of giving the biggest share to the youngest daughter (*khatduh*) Wealthy families owning landed property are becoming fewer as more people in rural areas are dispossessed of their lands on account of poverty. This means that women are losing their hold over clan or ancestral lands as well. In West Khasi Hills nearly 32% of the population owns no land. This was revealed in a study conducted by IFAD, an international developmental organisation.

The administration of self-acquired property is entirely in the hands of the owners. Such land can be sold, or distributed to all children by parents according to their wish. It is the ancestral property that they cannot usually sell without the consent of the maternal uncles and brothers. On the flip side, there are many instances when the youngest daughter (*khatduh*) is bereft of any property because her parents never owned any property. Some families are too poor to even keep body and soul together. Such instances do not form part of the normal discourse even though their numbers are growing. The reason is because it is easier to perpetuate myths and to be seen as a 'unique society.'

The misconception that sons do not and cannot inherit property is not correct. In Khasi matrilineal society, if a *khatduh* has no daughters, her sons cannot inherit ancestral property but they can be gifted with the self-acquired property of parents. The ancestral property will however pass over to the next elder sister's youngest daughter. One reason why a man usually prefers to buy land in his wife's name is to ensure that on his death, his clan (*kur*) members do not appropriate the property and leave his wife and children in penury, a phenomenon common among the Jaintias. It must be mentioned that the *khatduh* is a custodian of ancestral property with conditions, albeit unwritten and unspoken. The *khatduh* must look after her parents as long as they are alive. Her unmarried brothers also live under the same roof. If any of her nieces or nephews are orphaned it is the khatduh who must care for them. If her brothers divorce their wives or vice versa they come back to the '*iing khatduh*' or parental home. Therefore, looked at from a purely objective prism, alongwith the property the *khatduh* also carries overwhelming responsibilities, including loss of social mobility.

As stated earlier, though ancestral property passes through the *khatduh* she is really not the owner. She is only the custodian of ancestral property. Her maternal uncle acts as the chief executor or the administrator over the property. Attempts to sell off ancestral property have often led to court cases because the property is not totally unencumbered. Every family member has a say which is often not based on the best and most equitable formula. This is actually the weakest link in the matrilineal chain. It is an area that perhaps requires deeper study because of its propensity to create conflict within individuals in society. There are several instances of the *khatduh* marrying outside her community and her brothers demanding that she should cease to be the inheritor/custodian of ancestral property. One such illustration is that of a Khasi lady marrying a foreigner and the lady herself joining the airlines as an air hostess and therefore having to be out of station most of the time. When the mother became ill, one of the sons shifted to his mother's house and staked a claim to the property on the plea that his sister was hardly available and that he was actually looking after his mother. When the sister heard this she returned home immediately and took her brother to Court citing customary law. The State of Meghalaya takes cognizance of customary law and applies it in cases relating to property disputes. Such disputes are pending with the District Councils and some are settled by the local traditional institutions or the *Dorbar Shnong*.

Is Khasi society a gender-equitable society? What is the status of men vis-à-vis women? There is no doubt at all that parents unwittingly place greater value on daughters because she is the perpetuator of the clan and lineage. But sons are not discriminated against. They are given equal education and equal opportunities as the girls.

But like all other societies, Khasis also confuse the biological aspect of being men and women with the cultural construct of male and female. Sexual division of labour is very marked. As a rule, men/boys do not cook, wash the dishes or clothes. Among agrarian families, the woman does more than her share of work beginning at 4 or 5 am and ending only after everyone has had their evening meals. Women are expected to care of the sick and elderly. They fetch water and bring fuel wood home. They are also engaged in kitchen gardening during off-farm seasons and get involved in farming during the planting, weeding and harvesting season.

Khasi women have the additional burden of shopping for food and other necessities at home. That is entirely the woman's domain and it places great strain on her because she also has to ensure that the money given to her by the husband and other earning members of the family meets the needs of the entire family. Even among the most educated families where men are expected to be more gender sensitive, the woman spends much of her time in the kitchen and the husband usually makes an excuse saying, 'Well she enjoys her cooking and the kitchen is her empire'. No one asks the poor wife whether she actually enjoys the drudgery of kitchen chores.

At a seminar organized by the Indigenous Women's Resource Centre (IWRC) where late Mr. TH Rangad, who was then the Home Minister, was chief guest, he observed very amusingly that it is not the Khasi woman who says she is privileged. Khasi men have actually been echoing this rhetoric again and again, and so often that women have begun to believe it themselves. Mr. Rangad came to this conclusion after several engagements with this writer. Gender equality is not just about property and who inherits it. It is about who does what and who has access to and control over which resources. A piece of property owned by the *khatduh* is more often than not administered by her husband or sons. A woman has no right to decide how to use a certain property unless she gets a green signal from her husband and children. If a Khasi woman is still following a clear-cut routine based on gender division of labour and is unable to break free of that social liability, how can a society be called gender-equitable? If we look at agrarian communities and these form the major part of the Khasi population, only the male members have contact with Government line departments. Only male members have access to agricultural training programmes, seeds, fertilizers etc. Decisions about what crops to grow are taken by men. Again, men have more access to the markets because of their social mobility whereas women are restricted by their family responsibilities, such as looking after small children and the elderly and other domestic chores.

Studies conducted in West Khasi Hills by the Indigenous Women's Resource Centre on a number of indicators such as decision-making about purchase of jewellery, sale of livestock and other agricultural products etc. which usually determine the level of gender-equity and rights enjoyed by women, found that whereas women have a say in smaller livestock such as chicken, it was men who took decisions on whether to rear cows or pigs and when to sell them and at what price. Decision-making for women was restricted to what is perceived as less important matters. Gender awareness is a very new concept and has not even caught up among the urban population. In fact, women themselves negate their own strengths when they say, "let men take care of activities outside the home, let them attend the *dorbar*, why should we women interfere?' This sort of remark from educated, well-placed women such as college teachers and professionals reveal that Khasi women are a long way away from understanding gender equity.

Matriliny does not and has not been able to address the problem of rising poverty among a large section of rural population, half of which includes women. Land has traditionally been a community resource. People of a particular clan who reside in a particular village for some length of time are considered part and parcel of that village and are allocated land for farming and housing. This land is called the *Ri-Raid*. For the Khasis the concept of land ownership by individuals is a concept that was pushed in by the market forces. Commodification of land and fixing a monetary value on it has changed the whole contour of Khasi society as an egalitarian society. Privatisation of land started after the British entered these hills and when they began to create infrastructure. The British entered into hundred year leases with some prominent clans and paid them annual revenue. In some cases, wherever viable, they made outright purchases. This introduced the concept of land valuation. Once the Khasis appreciated the value of land there was a scramble to buy and sell land. *Ri Raid* land was converted by subterfuge into *Ri-Kynti* or individually owned land. Among the early Khasis, free land not owned by anyone can be claimed by any clan through the process of *skut* which actually means claiming as much land as a person could lay his eyes on, taking the hills and rivers as natural boundaries. Hence, clans who became the early residents of Shillong actually appropriated almost the entire 10 sq. km spanning the city.

Reasons for Landlessness Among Khasis

Societies are mobile entities. People from rural areas migrate to the cities in search of better prospects. Individuals move when they marry someone from another village. Those who move to settle down in another village do not have first right to claim the community land or *Ri Raid*. This type of land is allotted to original inhabitants of a village. So these new settlers become tenants and have to make do with lease-held land for their farming. These leases are very temporary in nature and land can be appropriated by the owners whenever they choose to. It has led to a situation where farmers are unable to undertake plantation farming but have to depend on annual crops like rice, vegetables etc.

Another reason for landlessness is because of the risks involved in agriculture. When crops fail, families are compelled to mortgage their land to the affluent in order to purchase seeds, fertilizers etc. If there is crop failure these families lose their land and become landless.

This researcher visited East and West Khasi Hills and Ri Bhoi district and had random interviews with villagers and the village heads. Poverty is on the rise and so is landlessness. In East Khasi Hills, in a village of about 120 families, at least 20 families lived in homes that were only 10 x 10 ft. in size. Since the average family size is 5–6, that many people lived in these tenements. The land on which the house stands was reportedly bought for various sums ranging from Rs. 20,000 for about 6000 sq. ft. of land. The land was, as per custom registered in the woman's (wife's) name. Hence ownership is with the woman but not control. Men have as much right to decide how to use that land, whether to mortgage it if need be or even to sell it should the family dip into acute poverty. With the erosion of clan and kinship ties families have to fend for themselves. This is another emerging feature in Khasi society.

How community land is converted into private land

The practice in early Khasi society was that community land is allocated to every member of the village. So also is *jhum* land for cultivation. As long as a family resides and cultivates in that allotted land they continue to be the rightful occupiers. If they abandon the allotted land for some reason and it lies uncultivated and unused for three consecutive years then that land reverts back to the *Raid* (community). However, the customary laws also have their loopholes. If a holder of community land makes improvements upon it and makes a permanent structure than that person becomes a permanent holder. This is as good as ownership.

Another very interesting observation of this researcher is that community lands are administered by the *Dorbar Shnong/Dorbar Raid* (Village Council) or Dorbar Hima (Chieftainship). Heads of the *Dorbars* or the *Rangbah Shnong/Sordar* are male members only. So also are the chieftains who are called Syiem. In what can be called a surreptitious stratagem, the Syiems, *Sordar* and *Rangbah Shnong* have in collaboration with other members of their council converted large areas in their jurisdiction into privately owned land in their own names. In such cases the title holders are male members. This happens especially in the case of forest land. Naturally the community-owned land has today shrunken considerably or is non-existent. This phenomenon might become the basis for a complete overhaul of Khasi society. Men as heads of the *Dorbars* and Chieftainships are increasingly becoming not just owners of land but have appropriated the right to exercise complete control over it.

Ultimately what women will be left with is the lineage bit. These reversals are happening at a very rapid pace. Ironically, there is very little consciousness in the community about this swift reversal of women's status from owners of land to mere inheritors of ancestral property with all its social encumbrances.

The above instances of re-appropriation of roles are possible because Khasi customary laws have not been codified. The argument that custom is flexible and therefore laws emanating from that custom cannot be set in stone is a valid one. But when that custom tends to upset the equilibrium that has guided the community for generations then there is urgent need to undertake an analytical study to see how far it will also adversely affect the status of women who have hitherto enjoyed a fairly equitable deal.

One factor that has tended to disempower women is their exclusion from traditional institutions involved in local governance. At one time these institutions discussed issues of public welfare, and governance and were to an extent involved in civic administration. The traditional institutions also adjudicated on matters relating to land disputes and other non-compoundable offences. Today these bodies have evolved into power centres which are vested with the authority over land and its distribution. While in the past, the traditional institutions could be trusted to carry out their responsibilities with honour and dignity, always keeping the interests of the community at heart, today those cherished tribal values are diluted. Greed and the desire for accumulation threaten to destroy the fabric of Khasi society.

At this juncture, it is imperative to (a) undertake a cadastral survey of all land in Khasi and Jaintia Hills in order to identify their rightful owners (b) legislative action is required to push for a land ceiling act before the balance is completely tilted towards the affluent and the Khasi society is sharply divided along class lines (c) undertake a detailed study of the rapid erosion of women's status from that of land owners to that of powerless, landless inheritors or legatees (d) legislation to include women as an integral part of traditional institutions is imperative. This will empower them to understand the nuances of governance and help them to check the erosion of tribal values. Women have traditionally been recognized as custodians of culture and tradition but the administration of customary laws and practices was a purely male activity. There needs to be gender-equity in this aspect.

Gender sensitive language needs to be introduced into the Khasi milieu. For instance, the nomenclature of the head of the *Dorbar* – the Rangbah Shnong, literally translated means Village Headman. The nomenclatures automatically debar women from taking up this responsible position. Women would have to fight for a more gender-equitable language of inclusion.

Any talk of gender equity in Khasi society tends to become acrimonious. This is because men and women are both thinking of their rights and/or the deprivation of those rights. Women believe they have been deprived of the right to decision-making in the traditional institution. Men aver that women are already empowered because of their right to lineage and ownership of property. Some traditionalists tend to go as far as saying that a woman's place is in the hearth and home. She should not meddle with politics and matters outside her home. Khasi society in fact has a very pejorative saying for a woman who dabbles in politics. She is termed as a "crowing hen". The Khasi adage that "when a hen begins to crow then doomsday is at hand", is meant to keep women tied to their domestic chores. But at the heart of the conflict is also the inability to sit across the table and discuss these ticklish issues. There is need for a non-threatening space where views can be openly shared without fear of criticism or loss of face.

A gender war is the last thing that Meghalaya needs. What is necessary is a climate of dialogue between the sexes. Perhaps the root of conflict today is based on mutual distrust and suspicion. When women speak about equal representation in the *Dorbar*, they are not talking about immediately usurping the man's rights to be head of the *Dorbar*. They are negotiating for a public space for themselves and to subsequently pave a way for them to shoulder legislative responsibilities. As a progressive society Khasis should not cite tradition as a pretext for avoiding change when it is necessary and to selectively change those facets that tend to disempower women.

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Much of what is recorded in this report is based on the writer's personal visits, discussions with heads of traditional institutions and women's groups, individual women in the villages of West and East Khasi Hills Districts, Ri Bhoi District and Jaintia Hills District.

TARGETING TO THE 'POOR': CLOGGED PIPES AND BUREAUCRATIC BLINKERS

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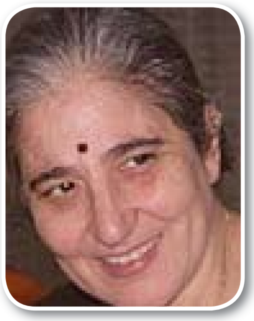

Renana Jhabvala joined Self Employed Women's Association (SEWA) in the year 1978 as an organizer, when SEWA was five years old. She started her work in SEWA with the women workers stitching quilts in the Muslim area of Ahmedabad and went on to form the first Cooperative in SEWA. Her main work was organizing women into SEWA as a trade union and in 1981, she was elected as a Secretary of SEWA under Ela Bhatt and organized bidi workers, agricultural workers, garment workers, street vendors and many others to bargain for higher income, better working conditions, space to work and social security. She was active in initiating SEWA across India, taking the experiences of SEWA to States like Madhya Pradesh and Bihar and most recently to Uttrakhand and West Bengal. She was instrumental in forming SEWA Bharat, a National Federation of SEWAs now in nine States of India. In 1995, she became the National Coordinator of SEWA and started the national office in Delhi.

Although India has a very impressive economic growth record over the past two decades, it does not have the same achievements in implementing social policies that could reduce poverty, income insecurity and income inequality. The reality is that the number of people classified as poor has barely declined, in spite of the fact that the number is calculated by using a very meagre poverty line, which the Planning Commission itself has described as "much too low" (2007:128). From about 32 crore people in 1993–94, the number may have fallen to 30.1 crore by 2004–05, according to the Eleventh Plan.

Drawing on a household and village-level community survey of social income conducted in 2008 (Standing et al. 2010), this article offers a critique of the widespread use of targeting in Indian social policy, primarily through the use of the below poverty line (BPL) card system. Many schemes, at state and central levels make use of such targeting, combined with a complex set of selectivity criteria, by which groups are identified as the deserving poor or excluded from entitlement to targeted benefits of one kind or another, mostly in the form of subsidised goods but also in terms of access to public works.

In international debates on social protection, targeting is one of four key notions currently in vogue. *Targeting* usually means directing benefits to those deemed as in need and regarded as "deserving" of help. By *selectivity*, commentators usually mean directing benefits to a specified group, such as those belonging to a particular caste, whose members are expected to be in greatest need of assistance. The National Old Age Pension Scheme (NOAPS) is just one example of this.

By *universal*, what is usually meant is that the entire population is entitled, or all citizens or all residents; this conveys a sense of a *right*. Finally, by *conditionality*, what is usually meant is that potential recipients must conform to a specified list of behavioural conditions.[1] We will not deal with conditionality in this paper. However, it is currently popular in Indian policymaking circles, ironically just as those who had put faith in conditionality elsewhere have been coming to appreciate its limitations.

Several valuable articles on cash transfers recently in the *Economic and Political Weekly* all notably accepted the desirability of targeting and selectivity (for example, Kapur, Mukhopadhyay and Subramaniam 2008). The major claim of this paper is that the failure of social policy is largely due to reliance on a complex mix of targeting and selectivity mechanisms, which together have created a sprawling and hugely expensive "clogged pipes" system that cannot be unblocked by tinkering reforms.

What Targeting Means

Internationally, the main means by which social assistance, or poverty alleviation, has been targeted is by identifying those whose income falls below some designated subsistence level, although sometimes it has been done by identifying those whose assets, or wealth, are below some threshold level.

In India, as elsewhere, the conventional argument made in favour of targeting is deceptively simple, and is roughly as follows. India is a "poor" country, and cannot "afford" a comprehensive social protection system, so it must concentrate its limited resources on those most in need. Therefore, it must target the poorest, providing a "safety net" for those in need who are "deserving" of assistance. Every point in that sequence of reasoning should prompt awkward questions. Nevertheless, targeting has been part of the Washington Consensus policies, and as such, conventional wisdom, for the past two decades.

In India, the first systematic national attempt at targeting was in 1992 during the Eighth Plan, when income was used as a criterion for identifying families BPL and a nation-wide survey was undertaken to identify them. Ever since, targeting has been accepted practice, and has mirrored international practice. As one early review (Besley and Kanbur 1990:2) *put it*:

> Indeed, targeting has become a panacea in the area of poverty alleviation, whence it is suggested that policymakers can have their cake and eat it too – improved targeting means that more poverty alleviation could be achieved with less expenditure!

As such, targeting has been hailed as being cost-effective, even though it has not had much, if any redistributive effect (Rothstein 2001), nor is there much evidence as to its effectiveness in removing poverty.

Targeting does raise some larger issues. It is a moot point whether it is consistent with the commitments made in the Indian Constitution. At Independence, the country adopted the goal of social insurance. In Article 41 of the Constitution of India, it is asserted that:

> [T]he State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement and in other cases of undeserved want.

While the optimistic rhetorical commitment has never been translated into reality, we suggest that targeting seems to go against the grain of the Constitution. That aside, definitionally, targeting requires the authorities to identify those deemed to have an inadequate income, which requires complex, time-consuming and expensive household surveys in order to apply the so-called "means test". The problems start with the difficulties of identifying what is covered by income, and with measuring non-money components of income. Then there is the problem of variability of income. This is particularly great among lower-income earners outside salaried employment. Most of the self-employed and those doing flexible or informal contract or wage labour have highly variable incomes.

This is the situation of most Indian workers. They are not alone. Rather than generating a gradual shift to regular, salaried employment, globalisation has been creating a growing *precariat* (the growing class of "precariously" employed "proletariat"). If their income is assessed in one week, it may be dramatically different in another week. But the BPL system relies on classifying someone as poor or not poor on a survey carried out every few years. In the survey discussed later, we asked respondents whether their income had risen, fallen or stayed the same over the previous year. A majority said it had changed. There is nothing particularly surprising about that,

1 Actually, there is *behavioural conditionality*, for which recipients must do various acts in order to obtain or retain eligibility, and *expenditure conditionality*, whereby recipients are obliged to spend the transfer or their own money on certain goods and services in order to retain the benefit. A companion paper addresses the notion of conditionality in general. See also Standing (2007).

but policymakers who rely on poverty lines implicitly presume that incomes do not change.

A literature exists on these issues, and we will not try to summarise the findings here. Bear in mind that an ostensible principle of targeting is that a benefit is provided today to someone who is in poverty today. But when were the data identifying the person as poor collected? More often than not, they will have been collected two or three years earlier, and these will be used to classify someone as poor or not-poor for several more years. So, today someone may be treated as poor or non-poor according to what somebody measured them as being one week five years ago. This would only conceivably make sense in a static social landscape, which is quite unlike the India of the 21st century.

Because of the widely observed failings of means testing, there have been attempts to develop what is called proxy means testing, whereby visible indicators of poverty or wealth, such as housing quality, are used that are supposed to be highly correlated with income poverty. This methodology began in Chile in 1980, and since that time it has been tried out in about 80 countries. The trouble is that it is subject to very large type 1 and type 2 errors (described in greater detail below), and is costly to administer. Even sophisticated statistical models identify the poor only about 50% of the time. And it also generates immoral hazards, i. e., acts of deception induced by a perception of unfairness or arbitrariness. For instance, if people find out (as they should) that possession of a particular good would remove them from entitlement to benefits, they would be likely to do without that particular good or conceal it or conceal the true ownership of it. And, finally, collecting the information would take time, and thus refer to some distant past rather than a reality today.

So far, we have considered targeting as based on means tests and proxy means tests. Policy makers in India and elsewhere also use geographical targeting, whereby they identify areas where incomes are generally low and then allocate benefits to all those living there or to those identified as poor living there. This method is particularly crude, although it has the administrative advantage of being relatively easy to implement. It leads to horizontal inequality, whereby the poor in one area benefit more than the equally poor in another. And anybody who is poor in a non-poor area is excluded.

Then there is categorical targeting, i. e., giving state benefits or services just to those identified as poor who also fit into some social category. A topical Indian example is to target benefits to low-income families with up to two children; those having more than two are excluded, in order to discourage high fertility. This is clearly unfair on third children, who will have done nothing to deserve to be malnourished compared to other children. Although there is no evidence that such targeting has resulted in lower fertility, if the financial incentive were to have the effect intended by the design of the targeting mechanism, then it would encourage unsavoury attitudes and behaviour.[2]

Then think of another currently popular form of categorical targeting, using the rule that "a single woman who has been deserted" should automatically be counted as someone who should receive the BPL card and thus receive state benefits. This requires that a woman declare herself as "deserted", or find an authority to declare her as "deserted", which many women would be ashamed to do. It would also leave out many women who may not be deserted technically but who are not supported by their husbands. And this sort of policy can encourage several immoral hazards, even if one can only speculate on them in the absence of empirical research, such as feigning desertion or bribing officials to accept a claim to being deserted.

Finally, there is a peculiar notion of self-targeting. Bear in mind that it is the intention of policymakers that should be subject to scrutiny here. Essentially, the intention is to deter those not in financial need from applying for benefits, and to do this, the idea is to make people come forward to declare and display their poverty. This could only work if the display was stigmatising, even traumatising. But if this is the intention, it implies that humiliation is a deliberate part of social policy.

One does not dispute that in India, many groups want to have themselves declared poor. Many castes have lobbied intensively to be declared as "backward", and there have been many violent agitations because a caste has not been declared poor and backward. In India, self-targeting is mainly in schemes involving manual labour, the conventional argument being that only those who need it will undertake such hard labour.

In the remainder of this article, we will focus on aspects and outcomes of targeting and selectivity in general, rather than one particular form of either. We believe the criticisms apply to a greater or lesser extent to all

2 We know of no evidence that this policy has affected fertility or abortion practices. However, given the nature of the incentives set up by the policy, and the obvious intention of the policy to affect fertility, there should be serious evaluations of the actual effects as a matter of urgency. If it is not intended to affect fertility, then why discriminate against third children in the distribution of benefits?

forms of targeting, and that the main outcome has been one of clogged pipes, by which those in need in India see far less benefit than they should.

General Criticisms of Targeting

One argument made in favour of targeting is that social benefits, in money or in services, are only a boost to consumption expenditure, and that they crowd out investment and lower economic growth. This is at best unproven, and probably wrong, as the World Bank has recently accepted. Social and economic spending blur into one another. Better nourished children make for students who learn better and who go on to make more productive citizens and workers; healthier people not only reduce the demands on the healthcare system but also foster economic growth.

Targeting schemes are invariably costly to administer. There are high administrative costs and high transaction costs imposed on those contemplating applying for a benefit. It is also stigmatising, since the person must display his or her poverty. This contributes to what is almost always a low take-up rate, even in the most developed welfare states.

The low take-up rate is part of what is described as type 1 error, i. e., that some of the intended beneficiaries do not receive the benefit. There are many reasons for a high type 1 error, including ignorance, fear, stigma, inability of the intended recipient to afford to apply for benefits, bureaucratic inefficiency, and unintended or blatant discrimination. In addition, there is type 2 error, i. e., the tendency for a targeted scheme to include some of those for whom, under the design criteria, it is not intended. This is usually much higher than policy designers or commentators envisage.

Targeting schemes usually also entail what are usually called "poverty traps". If a person is receiving a state benefit only because he or she is poor, then there is a disincentive to try to become non-poor, because the person would risk losing the entitlement to the benefit. In economic parlance, this is the equivalent of a very high marginal rate of taxation. This is a classic moral hazard. For a group of people on the margin, it actually pays not to work harder or to earn more by such work. But in addition, there is an immoral hazard, since the prospect of losing benefits means that the recipient will have an incentive to conceal the extra income or the earning activity that he or she is actually engaged in. Only a very naïve policymaker would think there is no moral hazard behaviour or imagine that their fellow citizens would not indulge in immoral hazard behaviour. If we were honest, we would admit that we would probably do the same if we were in the beneficiary's position.

Targeting in India Today

It should be evident that the design of the social protection system should respect the prevailing character of economic insecurity. In an industrial society, with a vast majority having stable full-time employment with contracts and union-backed collective bargaining, one could make a reasonably good estimate of which groups were in need, and which not. This is not India today, and it will not be India in the future. In a globalising, open economy, more and more people will be subject to economic shocks and have to put up with systemic uncertainty, against which they will be unable to insure properly. Many more will be vulnerable to sudden declines in income. Targeting is, at best, only suitable for a situation of relative stability, an unchanging social structure and landscape, which is not the case in India today or likely to be the case in the foreseeable future.

In India, the base of the state benefit system in most parts of the country is the ration card, consisting of the BPL and above poverty line (APL) cards, although there is also the BPL ultra-poor card (Antyodaya). The central government determines the criteria for defining the poor and ultra-poor through the National Sample Survey (NSS) surveys, which are conducted from time to time. The central government provides each state with an amount of funds based on the estimated percentage of the population qualifying for BPL cards. Then the state governments try to keep the number of BPL card holders at no more than the number specified by the central government.

There have been many attempts at nationwide targeting since the 1980s; however each attempt revealed the limits of targeting and left out a very large number of families who needed help, while bringing in many more that could have done without it. The first large-scale BPL survey was undertaken in 1992, with family income being the sole criterion. This created many problems since it was very hard to measure income, while family size was not taken into account, so that many large families were excluded and small ones included.

The next nationwide survey, in 1997, attempted to correct the earlier problems. It dropped the income criteria and was conducted in two stages. The first had five criteria by which to exclude the better-off, such as possessing two hectares or more of land or possessing valuable assets. The second stage involved measuring the value of family consumption through interviews. Again, this was all very complex and time-consuming.

The next major survey, in 2002, adopted 13 socio-economic criteria for well-being, with a fancy score-based ranking carried out by the states. This method too proved to be problematic. An expert group of the Ministry of Rural Development (2009) later concluded from the 61st round of the NSS (2004–05) that 61% of households that were BPL on the basis of consumption figures were excluded from the BPL lists, and only 5% of the very poorest for whom the Antyodaya card was intended actually had them. In sum, the practical problems of identifying criteria for determining the poverty status of families have a record that should make it hard to have much faith in the whole process.

Implementation of the scheme has also been far from perfect (Mehrotra and Mander 2009). Some states, especially in the south of the country, contend that they have many more people living below the BPL than shown by the NSS survey, and hence issue more BPL cards. As for the APL card, many people remain confused about whether or not they are entitled to it, and about what it offers. In many states, the APL cards are of two types. One is the "poor" APL and the other an "ordinary" APL. The "poor" APL card holders have to obtain a stamp on their card stating that their annual income is below Rs. 1,00,000. An APL card holder with a stamp has entitlement to public distribution system (PDS) benefits; one without a stamp does not. The cards are also used for other purposes. For instance, in some states, they are being used as proof of residence, to obtain gas connections and credit cards, and as proof of Indian citizenship and state residence in the context of sons-of-the-soil movements. When thinking of reforming the BPL system, one should not forget the APL system, which is possibly as important.

Nevertheless, it is usually the BPL card and the PDS that are most scrutinised. The evidence on both is not encouraging. A survey of the subsidised food distribution system found that the beneficiaries were primarily from the middle class, due to their relatively strong social position and clientelism (Farrington et al. 2006). Another survey study found that the poorest and most vulnerable households found it particularly hard to be included on the BPL lists (Hirway 2003). Recently, the Planning Commission (2005) estimated that only 27% of the central government expenditure on the PDS reached low-income groups. In a speech to the National Development Council in New Delhi in December 2007, the finance minister described the PDS as becoming "an albatross around our neck and an opportunity for rent seekers to enrich themselves". Subsidies are almost certain to produce the clogged pipes that are the bane of Indian social policy. By contrast, direct cash transfers could allow people to purchase food more effectively than the complex PDS system.[3]

These secondary findings are not encouraging. Now let us turn to the actual process of targeting as it works out in practice in India, armed with the image of a pipe in which the central and state governments pour money, ostensibly intended to alleviate income poverty and to enhance living standards of those deemed to be the poorest in the country.

Awareness of and Application for State Benefits

There are six stages in obtaining any targeted state benefits – awareness of their existence, self-identification of being in need of assistance, self-identification of being entitled to particular benefits, application for the benefit, receipt of the means of obtaining the benefit (a card), and actual access to and use of the benefit. If one imagines the process of succeeding at each stage having a probability of less than one, we may begin to imagine how low the probability must be of passing through the whole process successfully.

In 2008, with colleagues, we conducted a household and community survey in Gujarat, covering 1,500 households and key informants from Ahmedabad city and 47 villages of Surendranagar district, which focused on all aspects of social income and economic insecurity, including access to state benefits. In the course of this survey, respondents were asked about their awareness of the existence of BPL ration cards. Nearly one in every five people was unaware of their existence. As for awareness of targeted selective government schemes, we asked people if they were aware of any government schemes for the poor, and in response, a large number of schemes were mentioned – 38 in total, in most cases known to only a few. But knowledge of what they entailed or whether or not respondents thought they were entitled to them was very rare.[4]

3 For a systemic criticism of the PDS, see Planning Commission (2007).

4 Group discussions and case studies also revealed a pattern of confusion about the complexity of schemes and procedures. Policymakers would probably be unsurprised by that. However, targeting policies rely on people being sufficiently well-informed and confident to be able to try to obtain the benefits supposedly on offer.

Of those aware of the BPL card, 81.7% thought they might qualify for it, and more of those who had experienced a decline in their income over the past year thought so. Given the actual number with a BPL card, that was obviously wishful thinking on the part of many people. However, it is notable that one in five respondents from the scheduled castes (SCs) thought they would not qualify, 7% of scheduled tribe (ST) members and about 15% of Other Backward Classes (OBCs) thought they would not qualify. These figures point to a rarely mentioned problem with the ration card system. You have to think you qualify before you have a chance of obtaining a ration card!

The fact that those whose incomes had declined in the past year were more likely to think they qualified for a BPL card also highlights one of the most distinctive failures of the ration card system. The procedures for obtaining entitlement are notoriously cumbersome and slow.

The survey identified various government schemes and asked if the household had applied for any of them. Just over one in five (21.5%) had applied. Again targeting shortcomings emerged. Although more people who had experienced a financial crisis in the past year had applied than those who had not (23.6% compared to 13.9%), most who had experienced a financial crisis were not applying for any targeted benefits, presumably because they did not think they were entitled to the type of help on offer or did not know whether they qualified or did not know how to apply.

Of those who had applied, nearly a third had not received the benefit, and of those receiving it, nearly a quarter had to wait more than six months before receiving it. Only about a quarter received it within a month. And, of those who had received anything, 41.3% believed the amount was inadequate. A further failing was revealed when the figures were broken down by caste. Lower-caste people had to wait longer than upper-caste applicants, and were also less likely to have received the grants (Table 1).

Moreover, the higher the income of the household, the shorter the period between application and receipt of a state benefit, and the lower the probability that the household did not receive the benefit. While not surprising, this merely highlights the inequity of the design and the implementation of state benefits.

We also asked about receipt of state benefits by those who believed they were entitled to them. About 60% of households believed that someone in the household qualified for a benefit and was not receiving it. Of these, nearly two-thirds had not received the benefit because they did not know how to apply, 21.4% had applied but had been refused, and 15.2% were just too fearful of applying. Internationally, this is a pattern of responses that is quite normal.

An additional point that should be emphasised is that, not surprisingly, the illiterates who thought they qualified were the most likely to have failed in their attempts to obtain benefits. This, of course, is ironic, given that they were almost certainly among the most deprived. A system claiming to be targeting the poor that requires (or rewards) literacy is a contradiction in terms. Of those households believing they had one or more members qualifying for a state benefit, the main reason they gave for non-receipt was that they did not

Table 1: Time Between Applying for Government Benefit and Receipt, by Caste, Gujarat 2008

Time from Applying to Receipt	Scheduled Caste	Scheduled Tribe	Other Backward Classes	Upper Caste
Under a month	17.5	16.7	27.5	32.8
One-three months	17.5	0.0	16.7	27.6
Three-six months	10.3	0.0	8.7	1.7
More than six months	10.3	33.3	18.8	12.1
Not received	42.3	50.0	27.5	25.9

Source: Authors' survey.

Table 2: Main Reason for Non-receipt of State Benefit, by Caste, Gujarat 2008

Reason	Scheduled Caste	Scheduled Tribe	Other Backward Classes	Upper Caste
Do not know how to apply	57.8	61.1	68.9	58.0
Applied but refused	24.7	22.2	18.9	22.1
Fearful of applying	17.5	16.7	12.1	19.8

Source: Authors' survey.

Table 3: Reason for Non-receipt of State Benefit, by Schooling, Gujarat 2008

Reason	Illiterate	Primary 1–5	Middle 2–6	Secondary 9–10	Higher 11–14	Tertiary
Do not know how to apply	72.4	63.9	65.6	53.2	35.1	35.5
Applied but refused	17.3	22.2	20.4	26.6	32.4	29.0
Fearful of applying	10.3	13.9	14.0	20.2	32.4	35.5

Source: Authors'survey.

know how to apply. However, compared with about half of those with upper secondary schooling, that figure was 72.4% for illiterates (Table 3). In other words, the very group that was most likely to be impoverished were the most likely not to apply for them because of ignorance about how to do so.

As for actual possession of ration cards, it was revealing that those households that reported having experienced a financial crisis in the past year were no more likely to have a BPL card than those that had not. Only just over 29% of crisis-hit households held a BPL card, compared with 25% of those not having a crisis.

Now consider the efficiency of the system by reference to some standard measures of social status and "capabilities". Table 4 shows that although casual labourers were the most likely to have a BPL card, piece-rate home-based workers were the least likely of the work-status groups to have them. While substantial numbers of all work-status groups had neither a BPL nor an APL card, the small number of informal, home-based outworkers having them surely points to targeting failure.

Perhaps even more tellingly, schooling was not a reliable guide to acquisition. A remarkably high percentage of those with secondary schooling had BPL cards, while a high share of the illiterates, about one in every seven, had no card (Table 5). Again, this suggests that some education is an advantage in accessing targeted benefits, perhaps in part because it gives people the confidence and basic capacity to operate within the system. Only a minority of illiterate persons had a BPL card. This finding points to a very high type 1 error. But the fact that a significant proportion of those with secondary or tertiary schooling had a card also points to high type 2 error as well.

In the rural areas, those owning some land were actually significantly more likely to have a BPL card (66.6% compared with 48.5% of non-owning households). More of the non-owners had neither a BPL nor an APL card (14.2% compared with 6.8% of landowners).

Finally, perhaps the most severe indictment of the ration card system is that large numbers of the lowest-income households and lowest-earning individuals did not have BPL cards, while substantial numbers of higher-income households and individuals did have one (Table 6). And low-income households that had experienced a financial crisis in the past year were less likely to have a BPL card than those who had not.

Table 4: Possession of Ration Card, by Main Activity Status, Gujarat 2008

	Salaried	Casual Labour	Self-employed	Piece-Rate Home-based	Unpaid Family	Household Work	Total
Possesses BPL card	20.4	37.5	27.8	12.1	21.4	27.9	28.4
Possesses APL card	64.4	51.3	62.3	65.5	64.3	53.5	59.1
No BPL or APL	15.3	11.1	9.9	22.4	14.3	18.6	12.4

Source: Authors'survey.

Table 5: Possession of Ration Card, by Schooling Status, Gujarat 2008

Reason	Illiterate	Primary 1–5	Middle 2–6	Secondary 9–10	Higher 11–14	Tertiary	Total
Possesses BPL card	34.6	29.5	26.4	24.7	29.6	10.1	28.4
Possesses APL card	50.5	61.0	63.8	63.4	61.7	69.7	59.1
No BPL or APL	14.8	9.4	9.8	11.9	8.6	20.2	12.4

Source: Authors' survey.

Table 6: Possession of Ration Card, by Household Income, Gujarat 2008

	Under 20,000	20,000–40,000	40,000–60,000	60,000–80,000	80,000–1,00,000	Above 1,00,000	Total
Possesses BPL card	35.1	32.2	31.4	28.7	24.8	20.0	28.4
Possesses APL card	51.1	54.3	56.4	61.1	63.3	67.8	59.1
No BPL or APL	13.8	13.5	12.1	10.2	11.9	12.2	12.4

Source: Authors'survey.

In sum, ration cards are the basis of a selective, conditional anti-poverty scheme; they are both inefficient and inequitable. The cost is out of proportion to the benefits they provide. The public expenditure cost is the average amount paid in subsidies multiplied by the take-up rate (the percentage of intended recipients who actually receive the benefit), plus the cost of monitoring, plus the cost of dealing with complaints, and such matters as closure of licensed shops distributing the subsidised goods. A cost should be added for waste, since distributors and consumers of subsidised commodities invariably value them less than fully priced items and thus conserve them less well.

The other side of the arrangement is just as complex, and further erodes the anti-poverty efficiency of the system. For example, a policymaker might announce that "the ration card is worth 20% of the basket of consumer goods of the poor". Whatever the figure given, it would be misleading. The actual value depends, first, on the probability of being aware of the benefit on offer and, second, on the probability of being able to obtain it. To give some idea of the realities, data from the Gujarat survey suggests that about 84% of respondents were aware of the ration card system. Of those who seem to be eligible, about 82% possessed either an APL or BPL card. Of those, something like half said they received two or more of the subsidised goods.

These figures are approximate, and are illustrative of the point. But one can see that the hypothetical 20% figure would translate into something like 7%, or just over a third of whatever the estimate would be. It is a matter of speculation where all the money poured into the system goes. And that is before one even takes account of what is called vertical efficiency – the type 2 error – a tendency for selective benefits to go to those for whom they are not intended, the non-poor. That merely further undermines the system's efficiency.[5]

5 Atkinson (1995) differentiated between vertical and horizontal poverty reduction efficiency, the former measuring the extent to which there is leakage of money intended for the poor going to the non-poor, the latter measuring the extent to which the poor are actually helped.

This may arise from the obvious tendency for household income to fluctuate. A large proportion of those earning around the designated poverty line obtain incomes that fluctuate from week to week or season to season. This is well known. If they were surveyed by the authorities working out who is above or below the poverty line when they were having a good week, they would be excluded. Clever bureaucrats in many countries have tried to take this into account by resorting to the proxy means tests described above, i. e., devising a list of proxy variables that collectively identify poverty (Gacitua-Mario and Woden 2001). This is what has been done in India with the 13 socio-economic indicators mentioned earlier. Unfortunately, these rarely explain more than a minority of the variance in money income. And as we see, proxy indicators of poverty are not closely correlated with receipt of ration cards or subsidised benefits in Gujarat.

There are many other reasons why targeting is so inefficient both in the issuing of the cards and in the implementation of the schemes. In villages with highly unequal power relations, it is normal for the better-off to try to monopolise government benefits. Many people complain that they have no knowledge of any survey undertaken to show who is poor or not, as no one has come to see their house or ask them anything. Others claim that enumerators sit in the local panchayat office, or even in the block office, and that who goes on the BPL list is determined by the applicant's contacts rather than by what they earn or possess.

We could give numerous examples. For instance, during the Gujarat survey, we interviewed a man who operated a small *pan galla* in Kodh village in Surendranager district. He said,

> What can I tell you about BPL cards? The rich and landed of our village have them. Many of them have houses built under Indira Awas Yojana. This is because the sarpanch has BPL cards issued to his family and friends:
>
> We found similar stories in many other villages.

Denial of cards has been pervasive. The situation was complicated in 2002 when the government of India declared, on the basis of the NSS Survey of 1999–

2000, that poverty and the number of poor in the country had fallen and so decided that fewer BPL cards should be issued. This resulted in an artificial rationing. For example, in Charodi village, we met a number of obviously impoverished residents who said that earlier they had BPL cards. A few years earlier, officials had apparently come and asked for all their cards. When the new list came out, they found that they had all become APL card holders, not BPL. But they were adamant that their income and status had not improved in that time; they were all still landless and poor.

Apart from the reality of who has the cards, there is the issue of what happens to the benefits. It is no secret that across the whole of India, there are huge and notorious leakages that take place at various points between the allocation of funds for selective and targeted schemes and the actual expenditure on the benefits. Virmani (2007:6) politely described the connection between allocation and expenditure as "very obscure". And this has been going on essentially unchecked for many decades.

This is particularly true of the PDS system, where it is well known that much of the subsidised grain is siphoned off at various levels and sold in the open market. Again, the Gujarat survey showed this up. For example, in the village of Kamalpur, people told us that although they did have BPL cards, they could not obtain any benefits with them. This was because the ration shop owner had taken all their BPL cards and refused to give them back. His practice was to collect their rations and sell them to the card holders or to others at market rates.

In Ajitgarh village, there were BPL card holders who said that for the past few years, they had received only kerosene on their cards, and had not received any grain or sugar. In Mayapur village, there is no ration shop so that card holders had to go to Ajitgarh village for their rations, but there even Antyodaya card holders confirmed that they only received kerosene on their card. We met an agricultural labourer with a BPL card who said that often he had to go to the shop two or three times to buy the kerosene, since sometimes the shop would be closed and at other times the shop owner would tell him that the stock was exhausted or that it had not come. So he not only lost a day's labour, due to his trips there, but also had to pay for the travel fare for going to the shop.

What these and other examples show are just some of the many ways by which the targeting and subsidy system fails to function efficiently or equitably. The examples would almost certainly not surprise any knowledgeable policymaker or commentator. But if the pipes are clogged, there is little point in pouring more money and false hopes into them.

Towards Universalism

The simple appeal of targeting and the provision of selective subsidies in channelling limited funds to those most in need should be set against three types of criticism. One, that they do not do what they purport to do, that they have unintended effects that are detrimental to society and to disadvantaged groups in society, and that they do not provide wider benefits that alternative policies would provide. To put it bluntly, the reality of targeting is a licence to defraud. It is opaque to the point of making petty abuse almost a guaranteed outcome that thousands of intermediaries can practise with impunity.

In India, the situation is largely an outcome of the bureaucratic raj, which has created a vast system of clogged pipes. The role of the bureaucratic raj in stifling private enterprise and economic growth has been recognised for some time, and successive governments have dismantled state controls and interventions for the private sector. However, delivery of services, especially to the poor, is still firmly controlled by the same bureaucratic system, with its attendant problems.

Across the whole country, a substantial amount of public money is spent on a complex array of state benefits. But they do not contribute much to people's social income or alleviate the extent of income poverty because much of what is allocated simply does not reach those in need. At present, among the worst features of state benefits are that they are paternalistic and are worth considerably less to those "targeted" than the monetary cost of the expenditure.

Ironically, given the emphasis on targeting and selectivity, state benefits do not appear to be well-targeted or anything approaching universal, while people themselves generally feel that government efforts to deal with poverty are unsuccessful and ill-directed. For instance, in Gujarat, one indicator of the failure is that of all those who had experienced a financial crisis in the past year and who received some financial support from somewhere, only 0.6% had received any government assistance.

The value of state benefits is low because they are complicated and far from transparent. It is made even lower because it comes in forms that require a lot of effort and uncertainty in trying to obtain. The net value is further reduced because the costs of obtaining access to the mechanisms of state benefits are high. And it is reduced because most of the benefit comes in very paternalistic forms. The benefit system gives the impression that it was designed by people who did not trust ordinary people to be able to make judgments themselves in their own interest. Because a person is poor does not mean that he or she would not act rationally if allowed to be able to decide for himself or herself.

Finally, the value is reduced because the subsidies that make up a large part of the total package available encourage inefficiency and lack of respect by the distributors and by consumers of the goods that are subsidised. Generally speaking, a person who pays less than the cost of producing a good or service will tend to treat it less carefully than if he or she has to pay a proper price. It would be better to provide low-income groups with income rather than subsidise selected goods for targeted groups who may or may not want or appreciate those particular goods.

Perversely, targeting offends all five ethical principles of social policy (Standing 2009). It tends not to reach the most insecure groups in society; it inhibits rather than enhances the freedom of the intended beneficiaries; it gives discretionary power to policymakers and intermediaries; it does not provide rights, and it does not facilitate or encourage dignifying forms of work. It also fails what might be called social policy stress tests, in that it does not have the instrumental advantage of promoting economic growth, productivity or social harmony.

The general issue of targeting has considerable topical interest in the context of two debates that are currently taking place in Indian policymaking circles. First, there is the National Food Security Act promised by the United Progressive Alliance (UPA) government and announced by the President in June 2009. The bill, as drafted, would target subsidised food to Antyodaya and BPL card holders (and to a limited extent, APL card holders as well). In response, the Right to Food campaign has demanded universal provision of subsidised foodgrains, and this has been supported by some prominent economists.

While there are basic economic objections to any subsidy scheme, it is hard to justify reliance on targeting in light of the evidence that it does not work. In this regard, it should be recalled that the PDS was originally envisaged as a universal scheme for food distribution, with ration cards entitling all citizens to a modest amount of foodgrains at below-market rates. In the 1980s, the PDS was converted into a targeted programme, and over the years the Planning Commission and state governments have devised ever more sophisticated methods for BPL identification. For reasons we have discussed, this has proved a fruitless exercise.

Stubbornly, policymakers have persisted. In 2009, the government of India once again tried to refine and add indicators for targeting, this time through an Expert Committee set up by the Ministry of Rural Development. The Committee's report severely criticised earlier BPL exercises, and strongly concluded (2009:20):

> What has been the track record so far of the three BPL surveys (1992, 1997 and 2002) conducted? Though the number of proxies has gone from one in the 1992 survey to 13 in 2002, the errors of exclusion and inclusion remain above acceptable limits.

Logic is then left aside. Having pointed to the repeated failure of targeting, the report then recommends even more targeting, via a remarkably complex method of scoring to identify potential beneficiaries. It defies credibility to think that a more complicated method would succeed where a simple method results in a systematic failure of people in need obtaining support. Complexity would merely compound the failings, and make the process excessively time-consuming and administratively expensive.

There is a second major debate taking place around cash transfers. We cannot deal with that here. However, once again, policymakers and some economists are being drawn to trying to make them selective and targeted, as well as conditional. We believe the use of conditionality will merely compound the failings from targeting practices.

In sum, targeting is inefficient and inequitable. It results in some stigma, and high type 1 and type 2 errors, due in part to the variability in income, high administrative costs, high transaction costs for the potential recipients of assistance, widespread scope for arbitrary and discretionary pity in allocating benefits and the equally widespread scope for bureaucratic corruption and waste down those administrative pipes.

One of the wider social results of targeting that is too rarely taken into account in assessments is that it creates divisions that do not strengthen any communal sense of social solidarity and reciprocity, or a general feeling that preserving the integrity and decency of the system is a matter of social pride. Furthermore, targets inevitably suffer from being increasingly complex and subject to abuse. Perhaps above all, in the language of modern social science, targeting and conditional benefits have no agency effects, because they act to erode a sense of common lot and common interest, dividing the poor from the non-poor. This is an artificial and corrosive way to go.

What is the alternative to targeting? The base of the answer is universalism. Critics immediately react by dismissing the idea as too expensive, and usually add that this would create dependency and slow growth. We cannot extend this article by going into all the reasons for favouring a more universalistic approach. However, we merely note that the Indian state is spending a lot on schemes that do not reach the poor. Much of what is being spent is economically indefensible, whereas many socially defective subsidies could be redirected to simple and effective universal schemes. There has been a reluctance to accept the principle of universalism. However, one way by which it could be advanced is by thinking of it as ex post targeting, rather than the ex ante targeting that the clogged pipes system of today represents. It is time to transform social policy, to make it more in tune with the economic dynamism that is evident in 21st century India.

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SOME COMMENTS ON PANCHAYAT PARTICIPATION IN PROVIDING LITERACY

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Introduction

On International Literacy Day, 8 September 2009, the Prime Minister of India, Dr. Manmohan Singh launched the *Saakshar Bharat* scheme of the National Literacy Mission Authority (NLMA). The goals of the *Saakshar Bharat Mission* (SBM) are to achieve 80 per cent literacy[1] and to reduce regional, social and gender disparities in literacy rates by extending the coverage of the programme to the 15+ age group. The Human Resource Development (HRD) minister Kapil Sibal announced on the occasion that "We aim to bring the country's literacy level to 80% by 2017".[2] The underlying assumption is that only the achievement of adult literacy can help India to meet Education For All (EFA) goals within the next Five Year Plan. The *Saakshar Bharat* scheme aims to cover seven crores non-literate adults out of which six crores are women. Since illiteracy is far more widespread in rural areas, as compared to urban areas, the programme will concentrate on rural areas, especially on the districts having low (i.e., 50 per cent and below) female literacy rates. "Literate India" is the new slogan of the programme which envisages fund flows of Rs. 6000 crores in 365 low literacy districts located in 28 states/union territories of the country. The broader objective of this refurbished adult literacy programme is to create a 'Knowledge Society'.

The programme will run in active participation with the state governments, unlike in the past when it was run directly by the Centre through different agencies at the district level. The HRD minister commented: "We are structurally changing the mission and adopting new strategies. We have decided to implement the new scheme with the help of Panchayati Raj Institutions".[3] In compliance with the 73rd Constitutional Amendment, Panchayati Raj Institutions (PRIs) will be the fulcrum of adult literacy

1 On 21 August 2009, the HRD ministry addressed a press conference that discussed the new programme of the NLMA with the specific focus on achieving 80 per cent literacy for women by the end of the 11th Plan.

2 Chairing the 11th meeting of the NLMA Council, Kapil Sibal the HRD minister made this announcement. For a full report see http://timesofindia.indiatimes.com/india/Revamped-literacy-mission-to-focus-on-educating-women/articleshow/4920390.cms retrieved on Dec. 28, 2009.

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and skill development programmes as documented in the Guidebook for *Gram Panchayats*.[4] Therefore, implementation of *Saakshar Bharat* programme has been entrusted to *Gram Panchayats* at the grassroots level and by other PRIs at the district and sub-district levels. Nearly 1,70,000 *Gram Panchayats* in about 365 districts will be covered in a phased manner. Each *Gram Panchayat* will constitute a *Panchayat Lok Shiksha Samiti* and similar types of *Samitis* will be formed at Block and District levels to implement the programme.

The proposed constitution of *Panchayat Lok Shiksha Samiti* is a group consisting of 17–20 members from various strata of the community. It will include the Chairperson (Head of the *Panchayat*), Vice-Chairperson (to be selected from among the members and 50 per cent of them have to be women), all members of *Shiksha Samiti* (Education Committee) of the Gram Panchayat, women elected representatives of the *Panchayat*, Head Master/Teacher from the local school chosen by the *Panchayat*, representatives of the community (with proportionate representation from Scheduled Castes (SCs)/Scheduled Tribes (STs)/Minorities), *Mahila Mandal*/Self Help Group (SHG) members, social activists, opinion makers (Government employees/doctors, etc.), Member Secretary and Secretariat (two full time contractual employees, i.e. senior *Prerak* and *Prerak*). This core group of 'active persons' will be responsible for all the activities enumerated in the SBM document prepared by the NLMA.

The proposed *Panchayat Lok Shiksha Samities* are supposed to initiate activities like the formulation of project proposals for the establishment of *Lok Shiksha Kendras* (Literacy Centres) followed by their management and the organisation and documentation of the activities at this literacy centre alongwith environment-building tasks of adult literacy programmes. The micro level tasks of the *Samities* include the identification of non-literates, selection and training of 'Literacy Educators', sourcing and supply of teaching-learning materials, supervision of literacy classes, evaluation, etc. In carrying out these tasks they will get support from *Block Lok Shiksha Samitis/Zilla Lok Shiksha Samitis* and also from the Resource Support Groups and the State Resource Centres (SRCs) for Adult and Continuing Education. These together have to guarantee a smooth functioning of the adult literacy programmes at the grass root level. In sum, basically the SBM document recommends putting the *Gram Panchayat* Institutions in charge of 'literacy' along with 'education' (under *Sarva Shiksha Abhiyan*, the SSA) to achieve EFA in the country. If the above-mentioned recommendations are implemented in toto, it is expected that our country will achieve the EFA goal before scheduled time. There are however, some glaring lacunae in the recommendations that need to be discussed and highlighted once the programme starts from January 2010 in its revamped form.

Concerns

The foremost lacuna, which the programme has either ignored or neglected is that *Gram Panchayats* are already overburdened with a multitude of roles and responsibilities, ranging from preparation of budgets, activities in agriculture, land supervision, irrigation, animal husbandry, dairy, poultry, forestry, cottage industry, housing, employment, drinking water, roads, electricity, poverty alleviation, etc. entrusted to them by various ministries' programmes and schemes. Here, we will not discuss whether the *Gram Panchayats* manage to carry out these tasks or not. Instead, the point of concern here is that the *Gram Panchayat* is a self-governing body of local persons who might be experts in local level management of resources and community-well-being but should not be mistaken as managers of adult literacy programmes. It is here suggested that each *Gram Panchayat* should demand a full-time, qualified Programme Manager[5] for 'overseeing' the work of the *Panchayat Lok Shiksha Samities* and the *Lok Shiksha Kendra*. The *Gram Panchayat* cannot be the sole implementing as well as monitoring agency for the adult literacy programme. Instead, it should demand for the Adult Education Programme Manager to facilitate management of activities and dissemination of information to various functionaries and beneficiaries. This suggestion is not to question the competence and creditability of the *Gram Panchayat* Institution but to point out the sea difference between 'education' and 'literacy' in our country [Since SSA stands parallel to Adult Education]. Constituent members of the *Panchayat Lok Shiksha Samities* are the members of the *Shiksha Samiti* (Education Committee) of the *Gram Panchayat* and also the head masters/teachers of the local schools who cannot be asked for paradigmatic fluctuations in implementing learning programmes for both children and adults simultaneously. The structure

4 Refer to "A Guidebook for Gram Panchayat" developed by NLMA, Ministry of HRD, Government of India.

5 The Employment Guarantee Bill had provision for the appointment and functioning of a Programme Officer (PO), see Jain, L. C. (2005): 'Putting Panchayats in Charge', EPW, August 13, pp. 3649-3650.

and system of functioning of universal elementary education and non-formal adult literacy programmes is very different. With this fundamental difference between the formal school education system and the *non-formal* adult education system of learning one needs separate Programme Managers to realise the objective of the creation of a 'Knowledge Society'.

Secondly, as mentioned above, the principal target of the adult education programme is the 'willing' non-literate adults in the age group of 15 years and beyond. The elementary education under SSA 'compulsorily' targets however all children in the age group of 6 to 14 years. Once again I address the difference in the attitude and perception of the targeted beneficiaries of the programme. In formal school systems the beneficiaries of education (children) have abysmally low or no choice in deciding the structure and system of education. On the other hand, the non-formal system of education being imparted through the *Lok Shiksha Kendra* is largely dictated by the perception and attitude of the recipients of adult literacy (adults). Therefore, one should not rule out the possibility of differences between one or all the members of the *Panchayat Lok Shiksha Samities* and the target groups, i.e., women/SC/ST/minorities/adolescents. As unforeseen consequences one might read in reports about fund flow for implementation of adult literacy programmes at various *Lok Shiksha Kendra* without the mentioning of targeted adults visiting the literacy centre. Thus acceptance of the managerial role of the *Panchayat Lok Shiksha Samitis* is risky in the present scenario where *Panchayat* members are involved in a plethora of programmes and schemes.

The third and related lacuna in the programme is related to the intricacies of the functioning of the *Panchayat Lok Shiksha Samities* in harmony with other support groups like the Block and District Lok *Shiksha Samiti*, and the State Resource Centre for Adult and Continuing Education. Will the support groups be available on the beck and call of each and every *Panchayat Samiti* to provide the recommended support in planning, implementation, management, documentation and evaluation related activities? The support group members are human and not to be mistaken for 'gods' as done in the recommendations.

The objectives of the literacy programme acknowledge that the elected non-literate PRI representatives should be endowed with literacy skills so that quality of governance at the grass-root level increases manifold along with addressing the literacy needs of the target group. Such focused approach on the elected non-literate PRIs receives admiration but also causes concern. The approach to facilitate literacy among the PRI representatives is a heartening effort but will they, the 'managers' of the adult literacy programme prefer to sit and participate in 300 hours adult learning programmes along with other fellow illiterates. Vice-versa what shall be the difference between the 'implementers' and 'recipients' of the programme if both are sailing in the same boat of illiteracy in most of the cases. One cannot analyse the exact situation as data on the literacy level of the PRI functionaries are inadequate.

Moreover, one can ask: What comes first, the illiterate mass or the literacy of the PRI representatives? Let us consider both the options. In the first place NLMA decides to facilitate literacy skills to all the non-literate PRI representatives to set up a living example and a part of environment-building activity for community mobilization. In this infallible situation, what drives the non-literate PRI representatives to participate in literacy activities apart from shouldering a multitude of responsibilities? Scarcity of time will be the most plausible excuse to avoid literacy classes. Does our governance propose any mandate to have at least 'literate' if not 'educated' representatives in the *Gram Panchayat*? The present-day proposal of making *Gram Panchayats* in charge of adult literacy programme does not include the condition to have only literate/ educated members in the *Panchayat Lok Shiksha Samiti*. In the second case, let the PRIs remain as the implementers and managers of the adult literacy programme with a key role in environment-building activities. In that case what best tools will they adopt for community mobilization to motivate the targeted non-literates to get involved in literacy programmes? Why will any non-literate adult desire for literacy skills when their fellow men and women in *Gram Panchayat* (power) are better placed by being illiterate? What shall be the fate of the programme and the literacy centre when the target recipients question the reliability of the programme being managed by non-literate members? Does the fundamental difference between making children and adults literate renders all programmes, policies and practices (PPP) defunct? Will literacy educators and *Preraks* work under uneducated/*non-literate* managers? What shall be the outcome of the evaluation and assessment (of the learners and trainers) being conducted by such members of the *Samiti*?

The fourth and final lacuna of the programme is, we argue the absence of a monitoring system of the activities carried on by the *Gram Panchayats*. Neither the NLMA's *Sakshar Bharat* Mission 2012 document nor the guidebook deals with the evaluation of the functioning of the *Panchayat Lok Shiksha Samiti* at any point, during or after the programme.

Keeping these concerns in mind we should feel and start thinking about remedies as the eradication of illiteracy is one of the most urgent tasks to be accomplished in shining India.

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AGRICULTURAL PRICE POLICY, FARM PROFITABILITY AND FOOD SECURITY

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Agricultural price policy plays an important role in achieving growth and equity in the Indian economy in general, and the agriculture sector in particular. The major underlying objective of the Indian government's price policy is to protect both producers and consumers. Achieving food security at both the national and household levels is one of the major challenges in India today. Currently, the food security system and price policy basically consist of three instruments: procurement prices/minimum support prices (MSPs), buffer stocks and public distribution system (PDS). Agricultural price policy is one of the important instruments in achieving food security by improving production, employment and incomes of the farmers. There is a need to provide remunerative prices for farmers in order to maintain food security and increase the incomes of farmers. There has been a debate on price versus non-price factors in the literature. However, a review of literature shows that they are complements rather than substitutes (Dev and Ranade 1998; Rao 2004, 2006; Schiff and Montenegro 1997).

In the post-reform period, it was viewed that reforms in non-agriculture would shift the terms of trade (ToT) in favour of agriculture and lead to enhancement of private sector investment, which, in turn, would raise growth in agriculture (Singh 1995). The favourable ToT in agriculture have had some impact on agriculture in the post-reform period as the periods of improving ToT like in the early 1990s and more recently after 2004 onwards, witnessed a robust growth in agricultural production in general, and in foodgrains in particular (Dev 2009). However, the slackening of the efforts in non-price factors has affected the growth of production in the recent period (GoI 2008).

Food inflation of around 18%–19% in 2009 is a concern for the poor and vulnerable. Several factors such as shortages in domestic supplies due to a poor monsoon in 2009, the rise in international prices, shortages in global supplies mainly due to diversion of significant foodgrains to biofuels, increase in demand due to higher growth, implementation of the National Rural Employment Guarantee Act and the loan waiver scheme, inefficiencies in the marketing system, speculation, etc., have been responsible for the price rise in cereals, pulses, sugar, fruits and vegetables, milk, etc. An increase in domestic supplies of agricultural production is important to provide food to the poor and others at reasonable prices. An increase in supplies is also necessary for the success of the PDS, which is supposed to be an important instrument for food security at the household level. Prices and supply-side non-price factors can enhance yields and provide higher incomes for the farmers apart from providing food security for the poor.

Agricultural price policy has come under serious attack in recent years for recommending higher support prices than warranted by the costs of production (CoP) and supposed distortion of the market, leading to food deprivation. It is also blamed frequently for the spikes in prices of food items that reached their peaks in 2009. Rice and wheat are the most state-protected crops and the millions of farmers are dependent on incomes from these crops, grown in an area of nearly 75 million hectares or more than 40% of the gross sown area. An analysis of costs and returns in these crops gives some idea about the profitability of Indian agriculture and provides insights into the working of price policy.

Against this background, the overall objective of this paper is to examine the effectiveness of price policy in helping farmers get sufficient profits to promote investment, technology and productivity, thereby to the food security of the country. The specific objectives are to find out the trends in the movements of costs, prices and returns in rice[1] and wheat farming to throw light on the impact of price policy on the profitability of farming in two of the most cultivated and consumed food crops in the country. It also tries to bring out the causes that necessitated the recent increases in support prices and their relation to food security of the country.

The data generated under the cost of cultivation scheme (CS) of the Directorate of Economics and Statistics, ministry of agriculture, is used for the analysis in this paper. The data, collected annually under this scheme, covers all the major crops. This mine of data is largely unexplored for policy relevant research and encompasses 9,000 farmers every year. This data helps in analysing the economics of cultivation of different crops as well as to see the effectiveness of macro policies like price policy (Sen and Bhatia 2004; Raghavan 2008). The costs and returns are calculated for all-India using this data to see the emerging trends in profitability. The weights based on area and productions of respective crops are developed to combine the data from states. We have used the area-based weights for all the variables except the CoP. The growth rates used are based on semi-log trend and deflation is done using consumer price indices for agricultural labourers of individual states. The study analyses the data for rice and wheat for a period of more than 25 years from 1981 to 2007–08 for all major growing states. However, 2006–07 is the last year for which the data for different states are available for rice and 2007–08 for wheat. The study is divided into two periods, roughly synchronising with the pre-liberalisation and post-liberalisation eras. The first period starts with 1981 and ends with 1992–93 and the second period covers the years from 1994–95 to 2007–08.[2] The costs and other data under the CS data are comparable over time except for a minor change in the valuation of family labour. Since 1991, family labour is now valued at casual labour wages and not those of attached labour. Nevertheless, this does not alter the overall conclusions of the paper.

1 Rice and paddy are used interchangeably in the paper. Whenever we use rice it refers to paddy.

2 1993–94 is excluded from analysis as too few surveys were done that year.

The rest of the paper is structured into six sections. Section 1 presents the costs in cultivation and production of rice and wheat, while Section 2 gives the movements of MSPs and prices realised. Section 3 examines the relationship among the CoP, support prices, prices realised and wholesale prices. Section 4 examines the trends in returns at all-India and across different states and Section 5 brings together all these threads to identify the causes for higher support prices in recent years. Section 6 provides concluding observations.

Trends in Costs and Yields

The trends in C2 cost of cultivation (CoC) per hectare and C2 CoP per quintal and A2 CoC for the period 1981–82 to 2007–08 for rice and wheat crops are examined here. The A2 (paid out costs) include the value of hired labour (human, animal, machinery), value of seed (both farm produced and purchased), value of insecticides and pesticides, value of manure (owned and purchased), value of fertiliser, depreciation on implements and farm buildings, irrigation charges, land revenue, cesses and other taxes, interest on working capital and also miscellaneous expenses (artisans, etc.) and rent for leased-in land. The C2 costs include paid out costs plus imputed value of family labour, rental value of owned land and interest on value of owned fixed capital assets. There have been debates that rice should be given an MSP as similar to wheat as the costs of both the crops are similar. We examine this issue here by looking at the trends in ratio of rice costs to wheat costs. The total CoP per unit of rice and wheat, which include imputed values of land, labour and capital, shown in Table 1, reveal that the unit costs of the former are somewhat lower than those of the latter. However, the situation seems to have changed after 1994–95 and there are several years in which the paddy CoP per unit exceeded that of wheat. This was particularly noticeable after 1999–2000.

The ratio of paddy CoP to that of wheat is lower than the ratio of their CoC because of the higher yields in paddy. The ratio of A2 CoC of rice to wheat was higher

Table 1: Different Costs in the Production of Rice and Wheat at All-India Level

Years	Rice (Rs.)			Wheat (Rs.)			Ratio of Paddy Cost to Wheat Cost		
	CoP/ Quintal	CoC/ Hectare	A2 CoC/ Hectare	CoP/ Quintal	CoC/ Hectare	A2 CoC/ Hectare	CoP/ Quintal	CoC/ Hectare	A2 CoC/ Hectare
1981–82	99	2,892	1,705	122	3,260	1,946	81	89	88
1982–83	116	2,824	1,680	125	3,475	2,065	93	81	81
1983–84	108	3,351	1,959	135	3,462	2,039	80	97	96
1984–85	113	3,582	2,107	133	3,752	2,121	85	95	99
1985–86	118	3,718	1,966	123	3,959	2,335	96	94	84
1986–87	124	3,717	2,240	132	4,058	2,391	94	92	94
1987–88	144	4,653	2,828	146	4,826	2,777	99	96	102
1988–89	147	5,704	3,636	168	5,636	3,292	87	101	110
1989–90	172	6,340	3,539	172	5,769	3,361	100	110	105
1990–91	185	6,526	3,734	197	6,872	3,800	94	95	98
1991–92	218	7,884	4,161	204	7,693	4,303	106	102	97
1992–93	238	7,684	3,957	238	8,808	4,823	100	87	82
1994–95	279	11,212	6,369	294	10,990	5,446	95	102	117
1995–96	306	11,207	6,324	318	11,681	6,100	96	96	104
1996–97	338	12,651	6,703	361	13,760	6,927	94	92	97
1997–98	370	13,581	7,246	381	13,236	6,853	97	103	106
1998–99	398	15,495	8,710	383	14,316	7,268	104	108	120
1999–00	442	16,978	9,275	415	16,459	8,038	106	103	115
2000–01	448	17,365	9,798	450	17,132	8,751	99	101	112
2001–02	469	18,655	10,619	466	17,279	9,058	101	108	117
2002–03	530	19,193	10,949	499	18,837	10,027	106	102	109
2003–04	483	19,583	10,988	498	18,925	10,195	97	103	108
2004–05	529	20,670	11,776	537	19,810	10,975	98	104	107
2005–06	529	21,182	11,845	592	21,847	11,584	89	97	102
2006–07	546	22,059	12,543	586	23,847	12,681	93	93	99
2007–08	NA	NA	NA	617	25,575	13,166	-	-	-

Source: Estimated by the authors based on Commission for Agricultural Costs and Prices (CACP) data at current prices.

Table 2: Trend Growth Rates of Different Costs and Yields in Rice and Wheat All-India

Period	Rice			Wheat			
	Madhya Pradesh (MP)	Punjab	All-India	Haryana	MP	Punjab	All-India
CoP (Constant Prices) 1981–82 to 1992–93	2.95	-1.52	-0.13	-6.17	1.77	-2.58	-1.96
1994–95 to 2006–07	3.31	-0.50	1.46	2.08	0.97	0.65	1.41
CoC (Constant Prices) 1981–82 to 1992–93	4.14	-1.55	2.32	-0.56	3.74	0.55	1.36
1994–95 to 2006–07	-0.51	2.18	1.92	2.21	2.94	1.35	1.96
A2 CoC (Constant Prices) 1981–82 to 1992–93	4.62	-3.31	3.40	-1.29	4.31	-0.22	0.72
1994–95 to 2006–07	-0.33	2.23	2.15	3.01	2.74	1.22	2.45
Yield (Qtls/ha) 1981–82 to 1992–93	1.13	-0.10	2.67	3.73	2.46	2.16	2.54
1994–95 to 2006–07	-3.63	2.76	0.86	0.21	2.02	0.87	0.52

The second period extends up to 2007–08 for wheat.
Source: As in Table 1.

than the corresponding ratio of C2 CoC as shown in Table 1. This may be because of the lower imputed values of land, labour and capital in case of paddy compared to wheat. The conclusion is that the costs of rice have been similar to those of wheat since the mid-1990s. The ratio came down to 0.90 and 0.91 in the case of CoP in the years 2005–06 and 2006–07. On the whole, the demand that the MSP of rice should be closer or slightly below than wheat, based on the cost data, may need a sympathetic hearing. However, it may be noted that although the cost is a major one, it is not the only one factor in determining MSP.

The growth rates in the real CoP declined in the background of a robust gain in per hectare yields in the first period, while these costs went up in real terms in the second period (Table 2). As can be seen from the table, the growth rate in yields (per annum) came down from

Table 3: CoP of Different States in Relation to All-India Average for Rice and Wheat

(per quintal, for different triennium)

State	Rice (%)			Wheat (%)		
	TE 1984–85	TE 1996–97	TE 2006–07	TE 1984–85	TE 1996–97	TE 2007–08
Andhra Pradesh (AP)	93	92	73	-	-	-
Assam	88	114	126	-	-	-
Bihar	110	109	96	-	114	102
Chhattisgarh	-	-	94	-	-	149
Gujarat	-	-	-	-	133	100
Himachal Pradesh (HP)	102	-	50	121	130	109
Haryana	111	124	106	103	78	84
Jharkhand	-	-	-	-	-	187
Kerala	-	-	119	-	-	-
Karnataka	92	-	105	-	-	-
MP	102	109	138	95	122	116
Orissa	84	96	104	-	-	-
Punjab	105	96	77	98	92	84
Rajasthan	-	-	-	104	85	77
Tamil Nadu (TN)	-	-	128	-	-	-
Uttar Pradesh (UP)	102	80	96	98	86	87
Uttarakhand	-	-	-	-	-	103
West Bengal	119	117	121	-	-	157
All-India	100	100	100	100	100	100

Source: As in Table 1.

2.67% to 0.86% in rice and from 2.54% to 0.52% in wheat in the first and second periods, respectively. The growth in yield outstripped the growth in CoC during the 1980s enabling the cost per quintal to go down. The reverse can be noticed for the later period. Another important point to be noted is that the CoC has grown at a lower rate in the recent period indicating that the lower profitability might have discouraged farmers to invest in higher use of inputs and technology.

Which states are relatively efficient in CoP relative to all-India average? The states of HP, AP and Punjab are the efficient producers of rice in the triennium ending 2007 (Table 3). The farmers of AP and Punjab could produce a quintal of rice at 27% and 23% lower cost than that of the all-India average and they have improved the efficiency of production by reducing the CoP relative to all-India average during the study period. The obverse is true in case of Assam and Madhya Pradesh (MP) produces rice at 30% higher costs. Also, farmers from Assam and Tamil Nadu are expensive in rice production, which may be impinging seriously on their profitability. Rajasthan, Punjab and Haryana are the efficient producers compared to all-India average for wheat. Here, Jharkhand, West Bengal and Chhattisgarh produce wheat at whopping 87%, 57% and 49% higher cost than all-India.

Trends in MSPs and Prices Realised by Farmers

In this section, we examine the trends in MSPs and the prices realised by farmers. The CACP reports provide implicit prices which are derived from the CS data for different states. Implicit price is the ratio of value of the output of main product per hectare to the yield per hectare. It is known the CoP given by the CS are the reported data by the farmers. In other words, the implicit prices reflect the prices realised by the farmers.

Changes in MSP

The changes in MSP show that the increase in rice and wheat prices are the highest during the period 2000–01 to 2009–10 as compared to those of earlier decades (Table 4). The rice prices for the common variety increased from Rs. 510 to Rs. 1,000 (while the wheat prices rose from Rs. 580 to Rs. 1,080 during this period. In the 1990s, the rate of increase in MSP of rice was lower than that of wheat. The annual changes reveal that the MSP increased significantly in the first few years after the reforms were introduced. Again it rose substantially during 2006–07 to 2009–10. Rice and wheat prices have risen respectively by 62% and 54% during this period.

Table 4: Trend Growth Rates (% Per Year) in MSPs for Rice and Wheat in Real Terms

Period	Rice	Wheat
1981–82 to 1990–91	-0.95	-2.22
1990–91 to 2000–01	0.99	2.23
2000–01 to 2009–10	1.81	1.30

Source: As in Table 1.

Table 5: Intercrop Price Parity of MSP

Year	Common Paddy/ Wheat	Grade A Paddy/ Wheat	Year	Common Paddy/ Wheat	Grade A Paddy/ Wheat
1981–82	0.89	na	1996–97	1.00	1.04
1982–83	0.86	na	1997–98	0.87	0.94
1983–84	0.87	na	1998–99	0.86	0.92
1984–85	0.90	na	1999–00	0.89	0.95
1985–86	0.90	na	2000–01	0.88	0.93
1986–87	0.90	0.93	2001–02	0.87	0.92
1987–88	0.90	0.93	2002–03	0.89	0.94
1988–89	0.93	0.98	2003–04	0.89	0.94
1989–90	1.01	1.07	2004–05	0.89	0.94
1990–91	0.95	1.00	2005–06	0.89	0.94
1991–92	1.04	1.09	2006–07	0.89	0.93
1992–93	0.98	1.02	2007–08	0.88	0.91
1993–94	0.94	1.00	2008–09	0.90	0.93
1994–95	0.97	1.03	2009–10	0.93	0.95
1995–96	1.00	1.04			

MSP includes bonus.
Source: As inTable 1.

The intercrop price parity between rice and wheat shows that the ratio of paddy to wheat increased from 0.89 in 1981–82 to around 1.0 in 1989–90 (Table 5, p. 479). It ranged between 0.94 and 1.04 during 1989–90 to 1996–97. The ratio declined significantly in 1997–98 because of a sharp rise in MSP for wheat. The MSP of wheat increased by 25% compared to 12.7% rise for rice in that year. This increase in the form of bonus for wheat distorted the intercrop price parity. It was below 0.90 from 1997–98 to 2007–08. Only in the last two years had the ratio reached 0.90 and beyond. Similar trends can be seen for the ratio of grade A paddy to wheat.

Trends in Prices Realised by Farmers

Farmers are more concerned with the prices they realise rather than the MSP per se. The ratio of price realised to MSP was higher than 1.0 for rice and wheat almost during the entire period (Table 6). Only in the case of rice, it was lower than 1.0 during 2000–01 to 2003–04. In the subsequent years, the ratio was closer to one. On the other hand, the prices realised by farmers were more than MSP for wheat in all the years (except 2001–02) during the period 1981–82 to 2007–08.

Growth rates of prices realised in real terms show that rice prices had a declining trend in both periods (Table 7), while wheat prices showed a positive growth rate and increased in the second period. In other words, prices realised by wheat farmers have been higher and increasing as compared to that of rice farmers.

Regional Disparities in Price Realisation

There are significant regional disparities when we consider the ratio of price realised to MSP. There was a decline in the ratio in the triennium ending 2006–07 at the all-India level and in several states excluding Punjab, HP and Haryana for rice. It was much lower in states like Orissa, Bihar, Assam, West Bengal and UP (Table 8). In the case of Haryana, the ratio was higher by 32% in the same triennium, which means

Table 6: Price Realised in Relation to MSP in Rice and Wheat

Years	Price Realisd (Rs./Quintal)		Ratio of Price Realised to MSP	
	Rice	Wheat	Rice	Wheat
1981–82	121	151	1.05	1.16
1982–83	151	165	1.24	1.16
1983–84	151	160	1.14	1.06
1984–85	145	165	1.06	1.09
1985–86	163	173	1.15	1.10
1986–87	162	175	1.11	1.08
1987–88	191	202	1.27	1.22
1988–89	199	214	1.24	1.24
1989–90	211	221	1.14	1.21
1990–91	221	257	1.08	1.20
1991–92	283	332	1.20	1.48
1992–93	289	345	1.07	1.25
1994–95	363	388	1.07	1.11
1995–96	385	413	1.07	1.15
1996–97	416	531	1.09	1.40
1997–98	429	517	1.03	1.09
1998–99	494	563	1.12	1.10
1999–2000	516	612	1.05	1.11
2000–01	477	586	0.94	1.01
2001–02	484	589	0.91	0.97
2002–03	511	625	0.93	1.01
2003–04	516	626	0.94	1.01
2004–05	557	648	0.99	1.03
2005–06	561	761	0.98	1.19
2006–07	609	898	0.98	1.28
2007–08	na	1,018	na	1.20

na: not available.
Source: As inTable 1.

Table 7: Trend Growth Rates of Price Realised in Rice and Wheat (in % per year)

Period	Rice			Wheat			
	MP	Punjab	All-India	Haryana	MP	Punjab	All-India
1981–82 to 1992–93	1.04	-0.92	-0.64	-0.01	-0.07	-1.41	-0.51
1994–95 to 2006–07	0.88	0.50	-0.35	1.74	2.36	1.71	1.71

The growth rates for wheat in case of the second and third periods goup to 2007–08.

Table 8: Price Realised Relative to MSP in Rice and Wheat in Different States (%)

State	Rice			Wheat		
	TE 1984–85	TE 1996–97	TE2006–07	TE 1984–85	TE 1996–97	TE 2007–08
AP	107	110	104	-	-	-
Assam	103	105	94	-	-	-
Bihar	147	109	86	-	137	121
Chhattisgarh	-	-	102	-	-	138
Gujarat	-	-	-	-	156	124
HP	110	-	127	124	127	121
Haryana	109	122	132	105	111	116
Jharkhand	-	-	-	-	-	-
Kerala	-	-	122	-	-	123
Karnataka	124	-	110	-	-	-
MP	110	110	114	123	135	140
Orissa	116	101	85	-	-	-
Punjab	106	106	107	105	111	116
Rajasthan	-	-	-	119	132	127
TN	-	-	101	-	-	-
UP	103	105	98	106	121	118
Uttarakhand	-	-	-	-	-	112
West Bengal	127	112	95	-	-	109
All-India	115	108	99	110	122	122

Source: As in Table 1.

that the realised price is 32% higher than respective support price. The ratio for wheat was much higher than for rice. For example, the realised price for wheat was 22% higher as compared to MSP at all-India level in the TE 2007–08. The higher ratio for wheat is true for all the reported states.

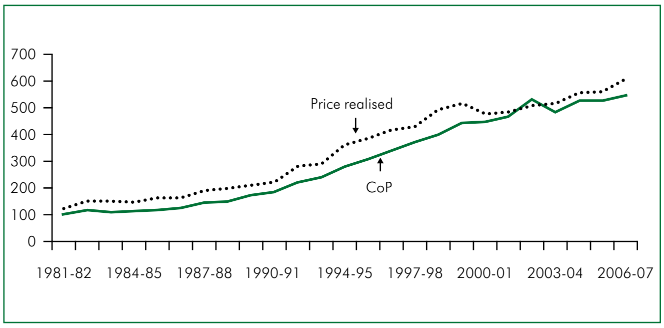
Relationship between Costs, Prices Realised and MSP

In this section, we compare the trends in costs, realised prices, MSP and wholesale prices. The trends in CoP and price realised for rice show that the latter moved faster than the former till around 2000–01 (Figure 1). Later the prices realised were almost similar to the CoP without any margin except in 2006–07. On the other hand, the prices realised by farmers for wheat have always been higher than the CoP (Figure 2, p. 180). Particularly, the margins have been higher since the mid-1990s and more so in the last three years of the study, i. e., 2005–06 to 2007–08.

Another issue is growth in CoP relative to the respective wholesale price indices (WPI). The WPI for rice increased from 100 in 1981–82 to 478.5 in

Figure 1: Cop and Price Realised in Rice during 1981–82 to 2006–07

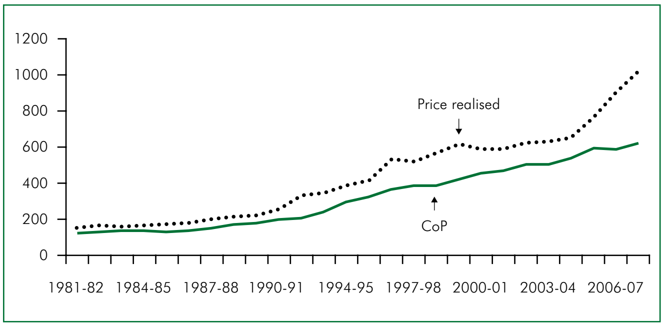
(Rs. at current prices)



Source: Calculated using data from CACP Reports.

Figure 2: Cop and Price Realised in Wheat during 1981–2007–08

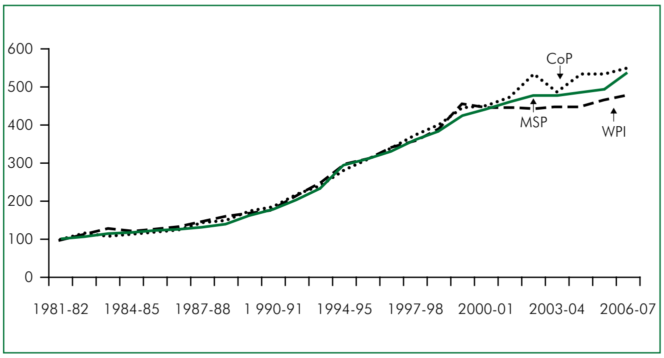
(Rs. at current prices)



Source: Calculated using data from CACP Reports.

2006–07. The index of CoP shows that it was moving almost on par with the WPI till 2001–02. In the last five years of the study, i. e., 2002–03 to 2006–07, the CoP has risen faster than WPI (Figure 3). Here rice farmers were in difficult situation in terms of CoP compared to WPI. The index of MSP of rice increased from 100 in 1981–82 to 539.1 in 2006–07. The growth in MSP is almost similar to that in CoP till 2001–02 after which spikes in CoP are much higher relative to the MSP (Figure 3). As shown later, the increase in MSP in 2007–08 and 2008–09 was much higher than costs and WPI.

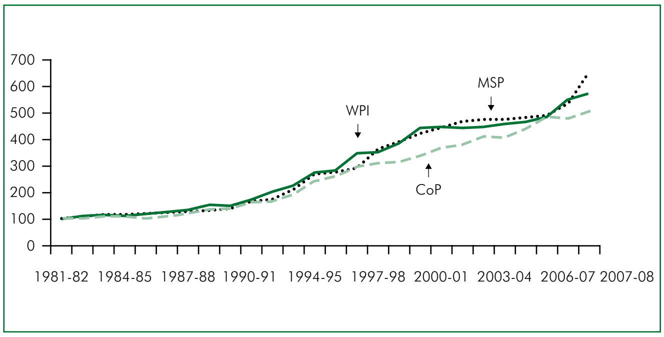
Figure 3: Indices fo CoP, MSP and WPI in Rice



Source: Calculated using data from CACP Reports.

The index of CoP rose from 100 to 505.8 only during the same period for wheat (Figure 4). The WPI, MSP and CoP changes were similar till the early 1990s. Thereafter, the MSP and WPI were always higher than CoP for wheat, especially after 1997–98. In other words, input costs including imputed costs were lower than output prices for wheat crop and the margins were higher for wheat as compared to rice.

Figure 4: Indices fo CoP, MSP and WPI in Wheat



Source: Calculated using data from CACP Reports.

Returns to Farming

Ultimately, one has to look at the trends in profitability in order to examine the viability of farming. For this purpose, we have examined the trends in net income (gross value of output (GVO)–cost C2) and farm business income (GVO-cost A2). We also looked at trends in the ratio of gross value of output to C2 cost, the ratio of GVO to A2 cost, which gives the level of margin over total costs and variable costs, respectively.

The ratios of GVO to costs show that the value of output has been more than all the costs throughout the period for both rice and wheat (Table 9). The averages given in Table 10 show that the ratio of GVO to C2 cost for rice has been maintained around 1.25 till 1995 but declined to 1.17 in 1996–2000 and to 1.07 in

Table 9: All-India Costs and Returns in Riceand Wheat Per Hectare in Nominal Terms (in Rs.)

State	Rice				Wheat			
	NI (Rs.)	FBI (Rs.)	GVO/CoC	GVO/A2 CoC	NI (Rs.)	FBI (Rs.)	GVO/CoC	GVO/A2 CoC
1981–82	561	1,748	1.19	2.03	558	1,872	1.17	1.96
1982–83	626	1,770	1.22	2.05	828	2,238	1.24	2.08
1983–84	1,058	2,451	1.32	2.25	486	1,909	1.14	1.94
1984–85	898	2,373	1.25	2.13	714	2,173	1.19	2.11
1985–86	1,326	3,078	1.36	2.57	1,152	2,775	1.29	2.19
1986–87	1,049	2,526	1.28	2.13	1,044	2,711	1.26	2.13
1987–88	1,262	3,088	1.27	2.09	1,181	3,230	1.24	2.16
1988–89	1,838	3,906	1.32	2.07	942	3,286	1.17	2.00
1989–90	1,143	3,944	1.18	2.11	1,131	3,540	1.20	2.05

State	Rice				Wheat			
	NI (Rs.)	FBI (Rs.)	GVO/CoC	GVO/A2 CoC	NI (Rs.)	FBI (Rs.)	GVO/CoC	GVO/A2 CoC
1990–91	1,137	3,929	1.17	2.05	1,400	4,472	1.20	2.18
1991–92	2,026	5,748	1.26	2.38	3,053	6,443	1.40	2.50
1992–93	1,643	5,370	1.21	2.36	2,869	6,854	1.33	2.42
1994–95	3,170	8,014	1.28	2.26	2,757	8,301	1.25	2.52
1995–96	2,686	7,569	1.24	2.20	2,622	8,203	1.22	2.34
1996–97	2,603	8,551	1.21	2.28	4,984	11,818	1.36	2.71
1997–98	1,985	8,320	1.15	2.15	3,876	10,260	1.29	2.50
1998–99	3,513	10,298	1.23	2.18	5,403	12,450	1.38	2.71
1999–00	2,737	10,440	1.16	2.13	6,161	14,582	1.37	2.81
2000–01	1,389	8,957	1.08	1.91	4,312	12,692	1.25	2.45
2001–02	1,023	9,060	1.05	1.85	3,905	12,127	1.23	2.34
2002–03	-9.0	8,236	1.00	1.75	3,606	12,598	1.19	2.24
2003–04	1,661	10,256	1.08	1.93	3,919	12,801	1.21	2.24
2004–05	1,382	10,277	1.07	1.87	3,215	12,228	1.16	2.10
2005–06	1,561	10,897	1.07	1.92	4,656	15,086	1.21	2.29
2006–07	2,867	12,472	1.13	1.99	9,655	20,982	1.40	2.64
2007–08	na	na	na	na	13,244	25,590	1.52	2.94

NI- Net income; FBI- Farm business income; FL- Family labour.
Source: As in Table 1.

2001–07. If we take the ratio of GVO to A2 cost for rice, gross value of output has been twice to variable costs, viz, A2 cost in most of the years except in the last seven years (Table 10).

The profitability of rice seems to have been going down, while wheat farmers improved their profitability during 1981 to 2007. If we consider C2 costs, the rice farmers could get only 9% returns over their total CoP in the TE 2006–07, when the wheat farmers got 26% net returns over costs (Table 9). Significantly, the wheat farmers reaped more than 50% margin over total costs in 2007–08. Though their counterparts in rice cultivation could get 13% margin in 2006–07 and probably slightly higher in the later years, it still is nowhere near that for wheat farmers.

In contrast to rice, the ratio of GVO to C2 cost for wheat increased over time. The ratio increased from 1.21 in 1981–85 to 1.33 in 1996–2000. The ratio of GVO to A2 cost has also risen as compared to the early 1980s. This profitability ratio was around 2.6 in the triennium ending in 2007–08 (Table 10). It may be noted that this ratio for wheat was 2.41 and much higher than that of rice at around 1.9 in the TE in 2006–07.

Profitability Across States

The returns over C2 costs show that the states like Assam, Bihar, Karnataka, MP, Orissa, Tamil Nadu, UP, and West Bengal witnessed negative returns for rice in the latest triennium (Table 11). On the other

Table 10: Ratios of GVO to Costs (Averages)

Period	Rice		Wheat	
	GVO/C2 CoC	GVO/A2 CoC	GVO/C2 CoC	GVO/A2 CoC
1981–82 to 1985–86	1.27	2.21	1.21	2.06
1986–87 to 1990–91	1.24	2.09	1.21	2.10
1991–92 to 1995–96	1.25	2.30	1.30	2.45
1996–97 to 2000–01	1.17	2.13	1.33	2.64
2001–02 to 2006–07	1.07	1.89	1.23	2.31
1981–82 to 1992–93	1.25	2.19	1.24	2.14
1994–95 to 2006–07	1.13	2.03	1.29	2.49
1981–82 to 2006–07*	1.19	2.11	1.26	2.33

* The ratios of GVO with C2 and A2 CoC for wheat are 1.27 and 2.40, respectively during 2001–08.
Source: As in Table 1.

Table 11: Ratio of Returns to Total Costsin Rice and Wheat in Different States

State	Rice			Wheat		
	TE 1984–85	TE 1996–97	TE 2006–07	TE 1984–85	TE 1996–97	TE 2006–07
AP	1.48	1.59	1.72	-	-	-
Assam	1.3	1.06	0.83	-	-	-
Bihar	1.34	1.1	0.97	-	1.23	1.34
Chhattisgarh	-	-	1.15	-	-	1.1
Gujarat	-	-	-	-	1.41	1.58
HP	1.21	-	1.44	1.14	1.01	1.12
Haryana	1.07	1.06	1.2	1.12	1.37	1.38
Jharkhand	-	-	-	-	-	0.8
Kerala	-	-	1.01	-	-	-
Karnataka	1.48	-	1.19	-	-	-
MP	1.21	1.13	0.92	1.32	1.17	1.37
Orissa	1.27	1.18	0.93	-	-	-
Punjab	1.15	1.19	1.33	1.17	1.21	1.39
Rajasthan	-	-	-	1.3	1.48	1.59
TN	-	-	0.91	-	-	-
UP	1.13	1.29	0.98	1.16	1.3	1.34
Uttarakhand	-	-	-	-	-	1.11
West Bengal	1.19	1.17	0.93	-	-	0.95
All-India	1.26	1.24	1.09	1.19	1.28	1.38

The total costs are represented by C2 CoC.
Source: As in Table 1.

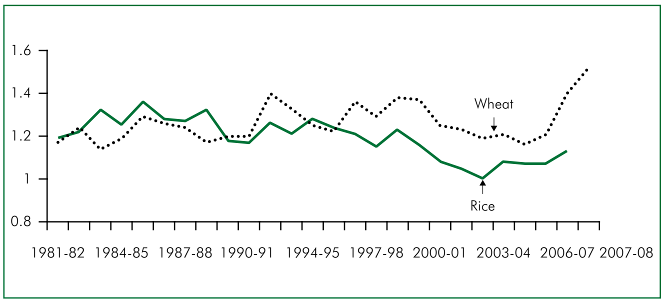
hand, all states covered all costs for wheat except for Jharkhand and West Bengal. The profitability improved for rice in AP, HP, Haryana and Punjab during the study period, while it declined for other states. On the other hand, returns for wheat rose for all the states considered in the study.

However, all the states cover variable costs (A2) in rice and wheat with the exceptions being Uttarakhand for wheat (Table 12). The situation in Jharkhand is also not remunerative enough to the farming community of wheat. The returns over variable costs for rice are much higher for HP, Punjab, Haryana, Chhattisgarh than other states. The returns for wheat are more than twice over A2 costs for the major wheat producing states. Figures 5 and 6 show that the ratio of returns over total costs (C2) and variable costs were higher for wheat as compared to rice since the mid-1990s.

The higher profitability for wheat as compared to rice can also be seen in the growth rates of returns in constant prices (Table 13). Rice recorded positive and high growth rates in net income, farm business income and farm investment income in the first period (1981–82 to 1992–93). However, it showed a negative growth rate in all these returns in the second period (1994–95 to 2006–07).

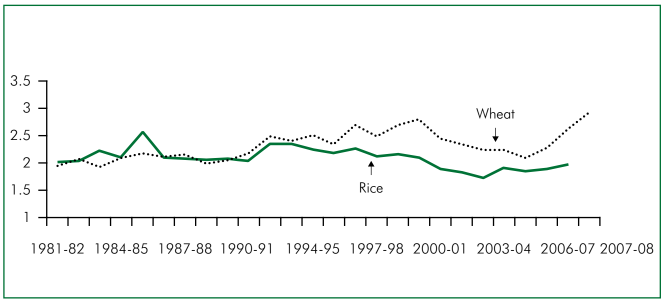
The growth rates of rice in farm business income were similar to those of wheat in the first period. However,

Figure 5: Ratio of Returns to Total Costs in Rice and Wheat



Source: As in Figure 1.

Figure 6: Ratio of Returns to Variable Costs in Rice and Wheat



Source: As in Figure 1.

the major point of distress for paddy farmers is that the returns over paid-out costs also declined in the second period at 1.15% per annum. On the other hand, the

Table 12: Ratio of Returns to Variable Costs in Rice and Wheat in Different States

State	Rice			Wheat		
	TE 1984–85	TE 1996–97	TE 2006–07	TE 1984–85	TE 1996–97	TE 2006–07
AP	1.67	1.95	2.04	-	-	-
Assam	3.06	2.64	1.93	-	-	-
Bihar	3.16	2.24	1.67	-	2.31	2.21
Chhattisgarh	-	-	2.37	-	-	1.85
Gujarat	-	-	-	-	2.48	2.62
HP	2.43	-	3.84	3.62	2.8	2.67
Haryana	1.75	2.23	2.26	1.85	3.04	2.96
Jharkhand	-	-	-	-	-	1.1
Kerala	-	-	1.44	-	-	-
Karnataka	2.8	-	1.9	-	-	-
MP	2.43	2.28	1.8	2.58	2.32	2.81
Orissa	2.21	2.24	1.77	-	-	-
Punjab	1.82	2.18	2.49	1.94	2.31	2.78
Rajasthan	-	-	-	2.41	3.06	3.23
TN	-	-	1.47	-	-	-
UP	2.19	2.84	1.89	1.95	2.47	2.39
Uttarakhand	-	-	-	-	-	0.91
West Bengal	2.23	2.39	1.81	-	-	1.59
All-India	2.14	2.25	1.93	2.04	2.52	2.62

The variable costs are represented by A2 CoC.
Source: As in Table 1.

Table 13: Trend Growth Rates of Returns to Farming in Rice and Wheat in Real Terms

Period	Rice			Wheat			
	MP	Punjab	All-India	Haryana	MP	Punjab	All-India
Net income							
1981–82 to 1992–93	n.c	2.06	1.00	17.01	-4.03	5.17	5.81
1994–95 to 2006–07	n.c	7.15	-31.53	0.79	10.07	6.15	2.37
Farm business income							
1981–82 to 1992–93	1.06	0.71	2.56	6.96	0.93	3.59	3.67
1994–95 to 2006–07	-5.35	3.87	-1.15	1.30	5.06	3.14	2.05

nc: Not calculated as the state witnessed negative returns during this period.
The second period and the overall period.
Source: As inTable 1.

growth rates in profitability for wheat recorded positive growth rates of more than 2% in both net income and farm business income in the second period also. In spite of similar growth rates for yields, the profitability for wheat is much higher than that of rice. This could be partly due to better realisation of prices for wheat. At the state level, the growth rates in returns for rice in Punjab rose in the second period, while MP showed negative returns in the same period. The growth in rice for Punjab has risen in spite of the decline in yields for the second period, and this may be because of the high level of yields even with some decline and higher price realisation relative to the support prices. In the case of wheat, the growth rates for MP increased, while those of Haryana declined in the second period. Although the growth rates in returns declined for wheat in Punjab, they were nearly 3% per annum in farm business income and above 2% for net income in the second period.

The data on costs and returns of crops from the cost of CS are available with a lag, and therefore, actual cost data for the years 2008–09 and 2009–10 are not available to compare with MSP data. Therefore, we have used the projected cost data which is used by CACP for recommending MSPs (Table 14). As can be seen from the table, the margin over cost declined over time for rice from 30% in 1999–2000 to 7.6% in 2005–06. But, the margin of MSP over cost for rice rose significantly from 14% in 2006–07 to nearly 60% in 2009–10. As compared to rice, the margins of MSP over C2 cost have been much higher for wheat

Table 14: Projected CoP and MSP: Rice and Wheat (1999–2000 to 2009–10)

Years	Rice			Wheat		
	Projected C2 Cost per qtl (in Rs.)	MSP (in Rs.)	MSP over Cost (%)	Projected C2 Cost per qtl (in Rs.)	MSP (in Rs.)	MS Pover Cost (%)
1999–2000	400.6	520	29.8	415.9	550	32.2
2000–01	429.3	540	25.8	448.7	580	29.3
2001–02	471.7	560	18.7	478.9	610	27.3
2002–03	505.2	560	10.9	483.3	620	28.2
2003–04	525.2	580	10.5	496.8	630	27.0
2004–05	530.9	590	11.1	515.6	640	24.1
2005–06	557.6	600	7.6	541.5	700	29.3
2006–07	569.5	650	14.1	573.6	850	48.2
2007–08	595.0	775	30.3	624.5	1000	60.1
2008–09	619.0	930	50.2	648.6	1080	66.5
2009–10	644.9	1030	59.7	741.0*	1100	48.4

* Refers to modified cost C2 including transportation, insurance premium and marketing charges.
Source: Various reports of CACP.

except in 2009–10. The margin for wheat over cost was around 67% in 2008–09. Therefore, it can be said that the recent increases in support prices have the effect of ameliorating the distress of rice farmers.

Increased Role of Price Policy

Agricultural price policy was earlier meant to mitigate the impact of any undue rises in prices on the vulnerable sections of the population. After the formation of the Agricultural Price Commission, it has always tried to maintain a balance between the interests of consumers and producers. Nevertheless, the limits of price policy in achieving these goals are recognised by the government and other non-price interventions are used primarily for the purpose. While a large network of the PDS ensures cheap food to the needy with appropriate levels of subsidy from time to time, many policy initiatives have been put in place to make farming profitable enough for farmers to invest sufficiently in technology for improving productivity per unit of land so that food security is not threatened. The policy aimed at encouraging higher production and that the resultant food produce should be available at lower prices. Both higher production and cheap food are considered necessary for food security. Thus, price policy remained subservient to the overall societal goal of poverty reduction on the whole until the new economic policies were introduced.

The higher emphasis and reliance on price policy in the 1990s altered the situation drastically,[3] as price interventions to the relative exclusion of non-price interventions marked the new regime as pointed out by Sen (2001). As a consequence, the earlier policy of "low-input and low-output" prices shifted to "high-input and high-output" prices (Acharya 1997). On the other hand, public investments on irrigation, research, extension and other related infrastructure went down from 3.4% of agricultural gross domestic product in the early 1980s to 1.9% in 2001–03. Though private investments increased initially, it later stopped flowing due to the operation of complementarity between public and private investments, by the late 1990s. Technology development, dissemination and adoption received a major setback due to this.

As a result of this policy shift, growth rates in yields have gone down and eventually the CoP started rising. These rising costs necessitated higher support prices to sustain the long-run margin of 20% over total costs. The analysis in the paper brings out this phenomenon clearly. The MSPs in real terms declined in the 1980s and still returns to farming did continue to be sufficient for the farming community. This is because the CoP of both rice and wheat fell during that period as productivity improved at more than 2.5% per annum and outstripped growth in CoC. On the other hand, the CoP rose at the rate of nearly 1.5% per annum in both the crops during the 1990s and beyond, making rising MSPs necessary to help the farmers maintain the same incomes.

It is important to note here that these higher support prices are meant to compensate the slowdown in yield growth and the consequent increase in CoP that is the result of dwindling non-price interventions through public

3 Rao (2001) provides a detailed exposition of the changes in the agricultural price policy.

investments. In this situation, if the MSPs are not hiked sufficiently as in case of rice in the late 1990s and early years of the new millennium, margins would have gone down and distress would have spread. The analysis in the paper shows that farm business income in real terms declined by 1.15% per annum for rice farmers. To sum up, the farming community is not necessarily better off as a result of higher support prices, as these prices are meant to compensate for the rising CoP in the absence of yield increasing public investments.

The second major factor driving higher support prices is the operation of market forces in a liberal and open trade regime. Price policy faces different challenges in such a scenario. For example, low production can coincide with low prices with liberalised imports and exports. When the international market prices are higher and rising as a result of a supply shock, domestic prices of the respective commodity shoot up and procurement of sufficient quantities to the required levels to ensure food security becomes difficult. Therefore, the government will have to offer higher prices[4] as happened in 1997 and 2007 and 2008 in the case of wheat, making the gross margin more than 50%. The pulls and pressures of democracy and farmer lobbies make it impossible to roll back these prices without very high political costs, even if global prices recede considerably. The forced unidirectional movement of support prices also has an advantage in that assured prices and continuity in price structure can only stimulate supply response for agricultural commodities.

The result of these higher support prices is that it hurts the consumers and has an adverse impact on poverty reduction.[5] It was estimated by Parikh et al (2003) that a 10% increase in MSPs of wheat and rice leads to a decline in overall GDP by 0.33%, increase in aggregate price index by 1.5%, reduction in investments by 1.9% and has a minuscule impact on agricultural GDP. They also conclude that the bottom 80% of the rural and all of urban population is worse off. The experience of the past few years clearly reveals that the option of trade for food security has limited scope in view of the huge demands of a large population of the country. This means that the balance between price and non-price interventions has to be struck as in earlier decades. Therefore, non-price interventions through public investments have to be accelerated to reduce the CoP, and thereby, the need for higher support prices. Also, a system of variable tariffs has to be implemented to insulate domestic prices from the impact of higher volatility in international food market.

4 It is also documented by some scholars. See for example Chand (2010).

5 Sen (1999) explains vividly the vicious circle of low public investments, low yield growth, higher support prices, lower poverty reduction in the 1990s quite well.

Concluding Observations

Agricultural price policy has been largely successful in playing a major role in regard to providing reasonable level of margins of around 20% over total costs to the farmers of both rice and wheat. In turn, it seems to have encouraged farmers' investments in yield increasing technology and in increasing production and enabling sufficient procurement for buffer stocks and providing physical access to food by achieving and maintaining self-sufficiency. The need to supply food to the PDS and various poverty alleviation programmes has also been increasing at a faster rate. The price policy could help in procuring 43 mt in TE 2008–09 compared to a mere 13 mt in TE 1982, providing buffer stocks for an offtake of 38 mt in TE 2008–09, which is a steep increase over just 14 mt in TE 1982. These huge tasks of production, procurement and distribution would not have been possible without the efficient working of the country's price policy. The country is, by and large, insulated from supply shocks because of its operation. For example, the prices of cereals increased by only 20% while they spiked by 150% in the international market during 2005–08. This does not mean that there are shortcomings in its working, but only to highlight the fact its utility far outweighs any such problems to be rectified.

Nevertheless, agricultural price policy does face some new challenges in the current period with reduced non-price interventions in the form of public investments and also the percolation of some of the global price volatility through open trade. In fact, the analysis in this paper shows that these two are mainly responsible for higher support prices. The trend of declining CoP with higher growth in yields got reversed in the 1990s and beyond and they went up to nearly 1.5% per annum for rice and wheat. The returns over paid-out costs for rice farmers also declined at 1.15% per annum in real terms leading to distress. This declining profitability seems to have discouraged them from increasing spending on yield augmenting technology as shown by the relatively declining growth rate of CoC.

The price intervention in enhancing MSPs for wheat in 1997–98, 2006–07 and 2007–08, keeping in view the fact that the market prices were higher, has distorted the intercrop price parity between rice and wheat. Though the CoP is similar for these two crops since the mid-1990s, the wheat MSP has been 14% higher than that of paddy since then. Since 2000–01, rice farmers have also suffered from lower price realisation than the respective MSPs, lower (7%) returns over total costs compared to 27% in wheat and a higher growth in CoP compared to the wholesale price indices between 2002–03 and 2006–07. On the whole, the analysis presented in the paper shows that there is some merit in the argument that the MSP of rice should be closer or slightly below that of wheat. The recent hikes in support prices for rice are therefore justified against this background.

The averages tend to mask regional variations and the impacts of price policy in a vast country like ours with divergent climatic conditions. The CoP is higher than the all-India average in some of the poorer states due to low productivity and prices realised do not cover all costs. But the price realisation does cover variable costs and leaves a reasonable margin over that in all the states. At the same time, the prices realised cover all costs in states producing efficiently at low cost.

To sum up, a higher emphasis has to be given to non-price interventions through public investments to supplement price policy measures.[6] They can help in increasing yields, reduce the exclusive reliance on prices for farm profitability and food security, and also hasten poverty reduction, as the history of poverty reduction in the country shows that the proportion of the poor declined at faster rates when food prices are low.[7] Decentralising the procurement operations by building necessary infrastructure in states like UP, Bihar, MP and Orissa is critical in achieving equity in this regard. Also, price support operations need to be extended to other crops like pulses and oilseeds to stimulate their production. The storage capacities at present for buffer stocks are sufficient to store less than 30 mt, while the actual needs often go beyond 50 mt. Therefore, measures to increase the storage capacities have to be initiated immediately and at the same time the quality of the stored grain needs to be given equal importance by upgrading the technology.

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6 Several scholars have argued for yield increasing growth path for agricultural development to reduce an adverse impact on the poor (Dantwala 1986; Krishnaji 1990; Rao 1994).

7 See for a detailed exposition Dev and Ranade (1998) and Dev and Ravi (2007).

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MAKING MICROFINANCE WORK FOR THE POOR

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Microfinance in India – an Introduction

Microfinance has been described as the provision of financial services to those excluded from the formal financial system. It is a process which includes financial intermediation such as supplying credit, savings and insurance products with a goal towards social intermediation such as reducing poverty and enabling empowerment. More specifically though, microfinance deals with small ticket size financial products aimed at the low income population.

It is important to understand that low income households lead complex financial lives. They demand and deserve a basket of financial instruments to meet their needs just like customers who operate in the mainstream financial sector. Microfinance has seen several innovations which make is commercially viable to do business with these poor clients. Over time, these customers will expand their demand and build credit histories and eventually enter the mainstream financial market, where they will have access to formal finance at relatively low prices. So in the long run, there is no place for microfinance! Everyone will have access to formal financial instruments. But we in India, are far from that long run scenario and a significant proportion of our large population still lacks access to basic financial services.

Until a decade ago, it was commonly believed that the poor are "unbankable". This was because banks and other formal financial institutions would only deal with clients who owned collateral. Collateral is an asset that can be pledged to access credit. So if you did not own any collateral, you would not have access to formal credit, which in turn meant small or no growth in income, thereby reinforcing the vicious circle of poverty. So for generations, poverty reproduced poverty. Microfinance thus emerged as a tool for breaking this vicious cycle as it does not require any collateral. And there lies the wider appeal of microfinance as a way of doing business with the population which was considered "unbankable".

Before the idea of microfinance gained momentum, there were essentially only two sources of credit for the poor. The first were the informal commercial lenders which includes moneylenders, traders and landlords. The second source of credit were the state-owned banks such as Regional Rural Banks and specialized schemes such as Integrated Rural Development Program. The informal commercial lenders are characterized by easy access but very high interest rates. The state owned banks, on the other hand, aimed at targeted lending through heavily subsidized schemes which were eventually siphoned off by local elites and educated households. This lead to high default rates and high arrears and the banks suffered large losses. Microfinance was therefore well positioned to fill this gap between the large loss making subsidized state schemes and expensive and sometimes exploitative informal lenders.

There is another rationale, perhaps a little more subtle than the previous one, for the existence of microfinance. This has to do with the interplay between access to resource and access to information. Informal lenders such as local the moneylender, have rich information about the borrowing households which in turn provides them with effective means of enforcing repayments. This means that the moneylender knows where you live and how you earn and spend your money. So they also know how and when to recover their loan. But local moneylenders are small players who are typically jewelers, traders or landlords. They have limited resources and therefore cannot scale-up their operations and reduce costs. In comparison, the banks and large finance companies have access to large resources and have large operations. But they lack credible and verifiable information about the borrowing households – and therefore require collateral to ensure repayment of loans. Microfinance is, therefore, seen as a way to bridge this gap between access to information and resources. It is an innovation through which 'outsider' organizations can profitably lend to small borrowers even in the absence of collateral. The core idea of microfinance is to come up with innovative "collateral substitutes". Since low income households lack assets, one has to think of other means through which they can 'signal' to the lender that they are a credible borrower. Joint liability credit contracts do exactly this. Lending to a group of borrowers instead of an individual ensures that the loan gets repaid. If one member within the group defaults, all other members are barred from borrowing from this organization. So through peer-pressure and close monitoring, recovery rates of microfinance loans average approximately 98 per cent. This is unheard of within the commercial banking sector.

India has various forms of microfinance institutions. If we classify them according to their business models, there are those which are a replication of the legendary Grameen Bank model where loans are given to a joint liability group, then there are the state promoted Self Help Group model of lending and the institutions that give out individual loan contracts. We can also classify microfinance institutions based on product mix. These would include institutions that only provide credit and those with a business model based on credit 'plus'. The fundamental difference between these two groups of institutions is that the proponents of credit plus believe that the poor cannot do with credit alone and that they require other forms of assistance such as livelihood training, health and education as well. One of the major advocates of this philosophy is BASIX which is a pioneer in Indian microfinance. Among institutions that provide simple credit, the major players are the fast growing commercial Non Bank Financial Companies such as SKS, Spandana and Share, all headquartered in Hyderabad, Andhra Pradesh but with operations spreading over large parts of the country.

Growth and Nature of Microfinance in India

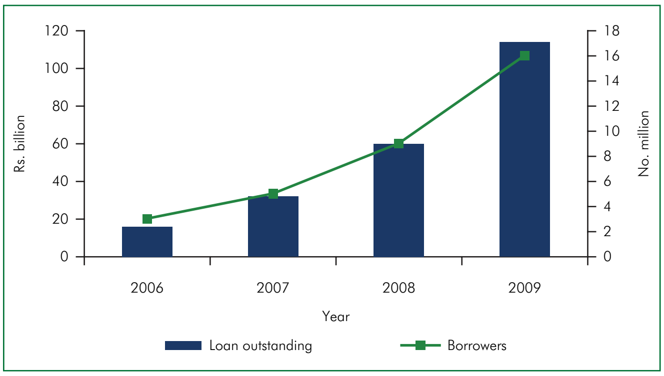
There is a wide gap between the demand for microfinance and the current outreach across all MFIs cumulatively in India. This sector is still at a nascent stage whether we look at it from a scale or a scope perspective. Based on rough estimates, we know that between 350 to 400 million people live below the poverty line in India which means that between 70 to 80 million households need microfinance services. Only 8 per cent of all poor rural households have access to microfinance products where the average loan outstanding is Rs. 5500. Close to 56 per cent of the poor still borrow exclusively from informal sources. If we consider the scope of microfinance by looking at access to different financial products, 70 per cent of rural poor do not have access to deposit or saving accounts and less than 15 per cent have access to any kind of formal insurance.

Internationally, the most credible source of data on microfinance institutions worldwide is the Microfinance

Information Exchange (MIX data) which is maintained by Consultative Group to Assist the Poor (CGAP), a consortium of the World Bank. The MIX data shows that there are 233 microfinance institutions currently operational in India with a cumulative outreach of 20 million households. It is important to bear in mind, however, that these are self selected groups of organizations which report data to the MIX. This might exclude a substantial group of smaller MFIs which operate as Non Government Organizations and which might not have the means or incentive to report this data. It is important to bear in mind that microfinance institutions in India come in different forms. SaDhan, an association of Indian MFIs, claims that in the year 2009, there were more than 2000 NGOs involved in the NABARD SHG-Bank linkage program. And out of these approximately 800 have some operations in financial intermediation. Then there are MFIs which are organized as co-operatives such as over 500 Mutually Aided Cooperative Thrift and Credit Societies. Finally, there are the large NBFCs which are regulated by the RBI.

Data from CRISIL, an independent rating and research company, highlights the growth of the microfinance sector in India (Chart 1). CRISIL estimates MFI's outstanding loans to have increased to Rs. 114 billion in the year 2009 as compared to Rs. 60 billion in the year 2008. Moreover, there is also a steady increase in microfinance outreach with the total number of borrowers increasing from 2 million in the year 2006 to almost 16 million in the year 2009. Several large MFIs have accomplished more than 100 per cent year on year growth.

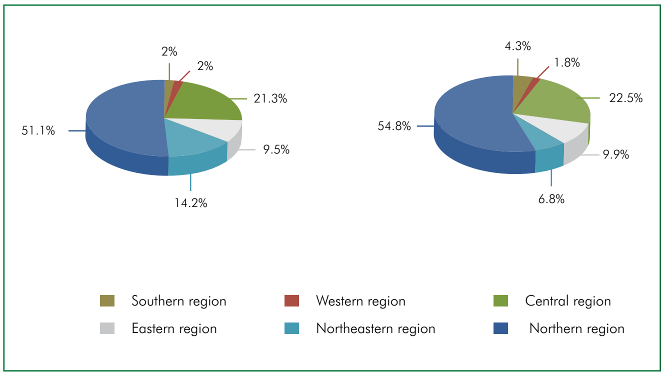
Chart 1: Growth Trends



Source: India Top 50 Microfinance Institutions, CRISIL Rating, Oct 2009.

Chart 2 outlines microfinance operations by regions within India and the loan portfolio across regions. As has been the trend since the beginning of the microfinance movement in India, the concentration is largely in the southern four states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka. Cumulatively, this region has 51.1 per cent of India's microfinance outreach. In contrast, the northern states and northeastern states of India contribute a mere 4 per cent of total microfinance outreach in India. When we look at the graph for the loan portfolio, as expected, more than half the loan portfolio is concentrated within the southern region.

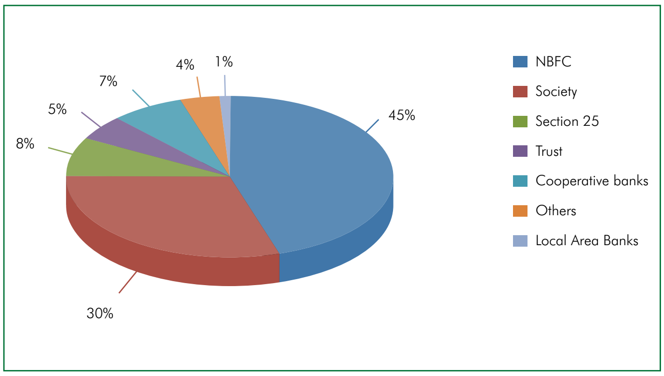
Chart 2: Client Outreach by Region & Loan Portfolio by Region



Source: Microfinance India, State of sector report 2010

In India, currently there are several models of microfinance operational and these include the NGOs, the NBFCs and the Self Help Groups. According to the Microfinance India: State of the Sector Report 2010, 45 per cent of all MFIs in India are registered as NBFCs which include all the large commercial institutions as shown in Chart 3. Societies, the next popular form, has a share of nearly 30 percent.

Chart 3: Number of MFIs

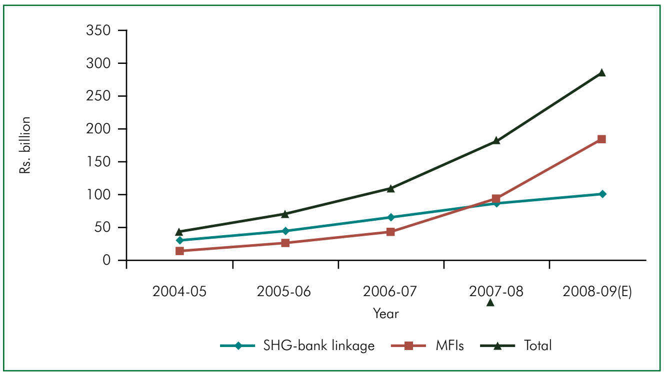


Source: Microfinance India, State of sector report 2010.

If we look at the expansion in operations of the Self Help Group model and contrast it to the MFIs which include the NBFCs and the NGOs, we note that over the last few years MFIs have contributed aggressively to the total disbursement. In the year 2008–09 it accounted for nearly 64 per cent of total disbursement (Chart 4). This reflects the acceptance of MFI institution as commercially viable and their ability to attract capital and resources.

Comparing the trend in disbursement, as in the following chart, we note that the five years from 2004 - 2005 to 2008 - 2009 have witnessed unprecedented growth in this sector. Disaggregating across different models of micro finance, we note that expansion in Self Help Group - Bank linkage model has been over taken by the other, the commercial MFIs which include the NBFCs and the Societies.

Chart 4: Trend in Disbursements



Source: Microfinance India, State of sector report 2010.

Offerings Made by MFIs

It is important to note that the term *microfinance* has replaced *microcredit* in the last 2 decades as it truly reflects the all encompassing efforts to bank the poor. This change is due to an underlying shift in the financial inclusion outlook. There is widespread recognition that the poor require a basket of financial instruments like savings, insurance and asset transfers just like the non-poor. More recently, this has been nicely documented as findings from financial diaries of low income households across Bangladesh, India and South Africa (Collins, Morduch, Rutherford and Ruthven, 2009).

The advocates of micro-savings claim that it is more valuable than credit for poor households because of several reasons. Micro-savings can be used to build assets which can be used as collateral. These can also be used to self insure during times of need and can be used to smooth consumption if there is a shock to the household income. Most MFIs in India which operate as Non-Government Organization require clients to save a certain minimum amount before they become eligible for loans. This is in tune with the basic principle Self of the Help Group model of microfinance. Early savings are viewed as a disciplining mechanism for clients of microfinance loans. Microfinance institutions which are registered as Non Bank Financial Companies, however, are not allowed to collect deposits as per regulations in India.

Over the last decade, micro-insurance has gained popularity as an instrument to achieve financial inclusion in India. There are several instruments such as life insurance, health insurance, property and crop insurance that are being tried out. Amongst these, life insurance has been the most successful in terms of profitability and outreach. One reason for this being that it is commonly offered as a product tied to the loan. Health insurance, on the other hand, has been piloted by several MFIs but few schemes have been rolled out extensively. And those too provide limited coverage and rely heavily on the public healthcare system. SEWA's health insurance program is one of the pioneers in this field. BASIX rolled out one of the largest health insurance schemes in Indian microfinance in 2005. A study by Rai and Ravi (2011) found that while the outreach of health insurance expanded, the claims to coverage ratio remained quite low. This was in part due to lack of financial literacy where borrowers do not fully comprehend the benefits of the health insurance product which is tied to their loan. And as would be expected, the claims to coverage ratio improved over the years as clients began to understand the product and see the benefits. The study also found that low claims could be partly explained by the lack of empowerment measured as health seeking behavior of women beneficiaries of the health insurance scheme. Women as borrowers are significantly more likely to file claims than women as non-borrowers who are enrolled in the health insurance scheme as spouses. There is no such difference amongst male beneficiaries.

Property (catastrophic) insurance has been sold by some MFIs such as SEWA. This was particularly helpful for low income households in Gujarat during flash floods and earthquakes. An innovative insurance scheme called Rainfall Insurance was promoted by BASIX with support from the World Bank. The basic idea of this product is to insure against bad weather directly rather than against crop yield. This is a sophisticated weather derivative and the benefits are not limited to farmers. This product however had few takers primarily due to poor marketing and lack of financial literacy where people perceived it to be too complicated.

The Commercialization of Microfinance

Commercialization is used to refer to movement of microfinance out of heavily donor dependent and subsidized operations in to one in which microfinance is managed on a business basis as a part of a regulated system. The new paradigm in international microfinance is the financial systems approach which claims that exponential growth can only come from commercialization. The aim is to attain wide outreach in a sustainable manner. In India, the main drivers of commercial microfinance are MFIs that started out as NGOs and have transformed into licensed NBFCs and large retail banks such as ICICI and SBI.

Most would agree that without the profit motive, it is difficult to have organizations that would engage in the activity in a sustained and efficient manner. On the other hand, a total fixation on the bottom line can easily lead to "mission drift" of a microfinance organization. This is therefore the razor's edge that all microfinance providers have to walk. It seems globally the "social development" model accounts for about 90% of microfinance organizations but the 10% of profit-oriented providers are very large and account for over half of the industry assets (Morduch et al. 2008). The "non-profits" lend more to the "bottom of the pyramid" while the "for-profits" tend to focus on a slightly higher tier. Also 'non-profits' are more likely to go for group-lending while "for-profits" go largely for individual-lending. There is not much difference in loan quality though. So, in conclusion "for-profits" and "non-profits" have somewhat different profiles in the microfinance industry, but both have important roles to play.

Compared to Latin America where commercial microfinance is most advanced and where loan portfolios are based on micro-enterprises that grow and generate employment, in India microfinance still primarily targets poor marginalized women. The MIX data shows that an overwhelming proportion of profitable MFIs in India are commercial NBFCs.

The main consequence of commercialization of microfinance in India is that it has transformed ownership of the MFIs. Most MFIs started as NGOs but realizing that commercialization was inevitable for exponential growth, transformed into regulated commercial entities. This gave them access to diversified funding sources and the entire governance structure of the organization changed. This brought in broader competencies such as technological advancements, experimenting with new products and processes, it also has pushed organizations away from group loans towards individual and better clients. The biggest drawback of this process, however, is that it has led to over-indebtedness and rise in strategic defaults, as we witnessed in the Andhra Pradesh debacle.

Impact of Microfinance in India

There is widespread acceptance that availability of financial services, improves the lives of the poor. However, this belief is mostly backed by anecdotes which unfortunately are not a substitute for careful statistical evaluation. In 1999, Jonathan Morduch noted that "the 'win-win' rhetoric promising poverty alleviation with profits has moved far ahead of the evidence and even the most fundamental claims remain unsubstantiated." There are very few impact studies and their results are far more subdued. There are studies that have shown that while some clients thrive and some will remain unchanged, there are also some that will slip backwards.

The problem in assessing the impact of microfinance is that we cannot simply compare the outcomes of participants with the non-participants due to self selection. Clients of microfinance are either self selected or join the programmes because MFIs target villages and clients based on expected outcomes. This makes establishing a causal relationship between access to microfinance and outcomes very difficult. Randomized evaluations, in this case, would provide clear and credible evidence. There have been some studies across the world to explore the impact of a number of microfinance product designs such as group lending, example Gine and Karlan (2006, 2009) and repayment frequency (Ravi, 2011). The paper by Ravi analyses the 'optimal' repayment frequency within rural credit markets of India and finds that borrowers choose loans with repayment frequencies that match their income frequency or the cash flow of the household.

If we consider the impact of microfinance in India, there has been one major study which measures the impact of microcredit becoming available in a new market. And the results indicate that in the short run, there are no significant positive outcomes on consumption, health, education or women's decision-making. This was conducted by Banerjee et al. in 2009 in 104 slums of Hyderabad over 18 months. The baseline survey showed that there was almost no borrowing from formal sources such as commercial banks or MFIs, before the experiment. One third of households operated at least one small business and the average profit from these was Rs. 3040. As a part of the experiment design, Spandana opened branches in 52 randomly selected slums from the 104 slums. The study reveals that as a result of this experiment, households were 50 per cent more likely to borrow from MFIs and were 32 per cent more likely to open a business. There were changes in consumption patterns across different groups. Households with an existing business at the start of the experiment invest in durable goods and their profits increase. Households with a high propensity to become entrepreneurs see a decrease in nondurable consumption like food and transportation. Households with low propensity to become entrepreneurs see an increase in nondurable consumption. The scope of the results are limited due to the short time frame of the study. Certain outcomes take longer to be impacted, particularly social outcomes such as health, education and decision-making powers of women.

Conclusion: Threats to Microfinance

The potential of microfinance in India is enormous. The trends over the last decade have revealed the profitability in this sector. And this has attracted several players who have jointly achieved an impressive outreach. In the process of this unprecedented growth, a few major threats have also emerged endogenously and we should be careful in dealing with these to ensure the long term healthy growth of microfinance in India.

The first is the politicization of microfinance. Rapid growth and commercialization of the sector mandates that we recognize it as an integral part of the mainstream financial sector in India. And in accepting this fact, the RBI should become the single regulating authority. Currently, multiple regulators and overlapping categorizations have led to confusion. Rationalization and simplification of the regulatory framework with the primary objective of ensuring a competitive environment and transparency would be beneficial to the industry and ultimately to its poor clients. The Andhra Pradesh experience has shown us that if the state is a regulator and an active player competing in the sector, the outcome can be potentially disastrous. But it is important to recognize that the low income population which microfinance caters to, is also politically a sensitive one. No government will risk ignoring the grievances of this segment, particularly if they are aimed against large commercial financiers.

The second threat to microfinance would be too much competition amongst microfinance institutions which operate within a regulatory vacuum. Competition is usually a good thing and leads to ultimately benefitting the clients in the form of lower interest rates and improved customer service. This, however, requires adequate streamlining and proper regulatory framework. Otherwise, too many lenders will compete with the same area and this will lead to excessive loan pushing and over-indebtedness amongst poor clients, leading to debt-spirals where people take more loans to repay old ones. Ultimately organizations will exert pressure to maintain bottom lines which would lead to the outcomes like stress and suicides as in Andhra Pradesh.

The third, and perhaps the most important one from a long run perspective, is to understand the primary objective of microfinance within a developing world. It is important that we appreciate the trade-off between outreach and profitability. As long as microfinance is a commercially viable business, the role of the regulator and government should be to encourage competition and transparency so that eventually clients benefit from it. But as microfinance goes further down to lower income groups, its operating costs get higher and will require support in the form of subsidies, from governments or philanthropic donors. These subsidies, however, have an 'opportunity cost' which can be understood as potential alternate uses for this money. These could include providing healthcare, education and livelihood training to the poor, instead of subsidized microfinance. Unfortunately, there is a widespread acceptance that microfinance transforms lives of the poor without there being sufficient evidence to back that claim. We need a lot more data and research to fully comprehend the role of microfinance and to determine whether it works for the poor.

WOMEN ADULT LITERACY: WHERE ARE WE?

K. P. Rajendran[1]

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Last few years, he has been engaged in training development professionals in Results Based Management, conduct action research, feasibility studies and helped in developing corporate funded social development projects. Rajendran combines managerial and research expertise and conducted various research studies on child vulnerability in India. Rajendran worked as Team Leader for the rapid study of Adult literacy in India.

Abstract from the rapid assessment study conducted in Jharkhand, Madhya Pradesh, Odisha and Rajasthan. The study commissioned by Indo-Global Social Service Society & Welthungerhilfe, New Delhi.

Backdrop

With the re-launch of the National Literacy Mission to promote adult women literacy with a new name "*Saakshar Bharat*", it was felt opportune to reflect on the experiences of adult literacy promotion efforts in India till 2009. It was observed that various approaches have been attempted since the original launch of National Literacy Mission in 1987. However, the various efforts made so far did not result in significantly reducing the total number of illiterates in this country. While the literacy rates have improved from less than 20 per cent in 1951, to 52 per cent in 1991 and to 65 per cent in 2001, in absolute terms more than 300 million Indians continue to be illiterate. In this backdrop, a preliminary study was conducted to quickly assess the status of "adult women literacy" in four districts belonging to four states in India. The study was focused on the following three issues:

- Response of the youth and adults (with special focus on women and adolescent girls) to Total Literacy Campaigns (TLCs) and the newly launched *Saakshar Bharat* (SB) after the formal closure of National Literacy Mission (NLM) towards the end of 2009.
- Educational opportunities that were and are available and identification of gaps as per the actual requirements for adolescent girls and women.
- Enabling and impeding factors as existing on the ground for the implementation of SB to build a critical knowledge base for implementation of *Saakshar Bharat* at the central, state, and district levels.

Review of Policy Perspectives

The educational status of a nation is considered as one of the key indicators of its progress. For India with more than 1.3 billion population strength, making all its people literate remains a daunting challenge.

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Ineffective planning and weak programme strategies continue to be the root causes for the massive illiteracy of its young adults!

Despite massive illiteracy and low level of education among the adult population, adult education remained a marginal sub-sector of the general educational policy until the late 1970s. The government's policy towards adult education was characterized by the sporadic programmatic efforts with limited coverage. The first nation-wide programme for adult education, known as National Adult Education Programme (NAEP) was introduced in 1978. Though this was intended to be a mass programme of adult education, it never assumed the mass character as envisaged in the policy statement. In practice, the NAEP remained a traditional centre-based, honorarium-based and hierarchical programme of adult education, funded and controlled by the government, and did not make a dent in promoting adult literacy. It was the National Policy on Education (NPE) – 1986 and its revised version in 1992 that created a favourable policy environment for elementary and adult education, and also realized the need to bring women to the forefront of development planning. The policy also expanded the scope of adult education to provide flexible learning opportunities to out-of-school youth, neo-literate adults and workers of the unorganized sector through the existing institutions and agencies. However, the policy did not pay adequate attention to operationalize continuing and lifelong learning. Although it brought to the forefront adult literacy and continuing education as an important strategy for basic education, there was still an apparent neglect of building a sustainable and expanded system of adult education and training with adequate institutional structures, staff and resources.

TLC & Literacy Programme 'APPROACH'...?

Hence, the government's commitments to adult education and continuing education continued to be programmatic.

In the 1990s India endorsed the World Declaration of Education for All (EFA) adopted by the World Conference on Education at Jomtien (1990) and accepted the declarations of the Fifth International Conference on Adult Education with regard to adult literacy and adult learning. India initiated significant steps to impart elementary education and adult literacy education in the 1990s. However, the major thrust of the basic education reform in India remained on elementary education and not on adult education and lifelong learning. As such the vast majority of youth and adults has either remained illiterate or with very low level of formal education. Following the World Education Forum in Dakar (2000) India endorsed the Dakar Framework of Action and accepted two Dakar goals related to adult literacy. Consequently the National Policy on Education was revised in 1992 for greater emphasis on adult literacy in order to realize the country's commitments towards achieving these objectives "Ensuring that learning needs of all young people and adults are met through equitable access to appropriate learning and life-skills programmes, and achieving a 50% improvement in levels of adult literacy by 2015, especially for women and equitable access to basic and continuing education for adults".

The mandate of the NPE was operationalized through the NLM which was launched by the Government of India in 1988. It was a culmination of the national efforts to urgently address the problem of widespread illiteracy in the adult population through a massive intervention even before articulation of EFA goals in 1990. The NLM was launched to address the cause of literacy of non-literates in the age-group of 15–35. Its main objectives were to impart functional literacy[2] to 100 million non-literates in the said age-group by 1999 and achieve full literacy by 2005 (Literacy Facts At A Glance. New Delhi: NLM, MHRD, Govt. of India). As this age group belongs to the productive and reproductive period of life, the NLM focused on it to give young adults a second chance for learning in case they had missed the opportunity or were denied access to formal education systems. Specifically, the NLM assigned priority to eradicating illiteracy among

2 Functional Literacy has been defined as:
- Self Reliance in 3 Rs. (reading, writing and arithmetic).
- Awareness of the causes of deprivation.
- Amelioration through organization and participation in development process.
- Skill improvement.
- Imbibing values such as – national integration; conservation of environment; women's equality and small family norm.

women, scheduled castes and scheduled tribes, and other disadvantaged groups through mass mobilization and support from the wider sections of people. The instrumentalist approach of NLM was based on the premise that provision of basic literacy education would tackle the problem of "eradication of illiteracy" without bringing necessary socio-economic reforms.

Achievements in Adult Literacy

As a result of the policy thrusts provided in favour of adult literacy India achieved considerable progress in improving the literacy situation in the 1990s. The literacy rate went up from 51.2% in 1991 to 65.4% in 2001 for the population in the age group of 7 years and above. The Census of 2001 shows that the all-India literacy rate has increased by 13.2 percentage points and improvement in literacy rates is evident for all the states/Union Territories (UTs). Nearly 50% districts recorded a literacy rate above the national average of 65.4% (Registrar General and Census Commissioner India, 2001). The most striking change visible in the census 2001 relates to the female literacy rate. About three-fourths of the male population (75.9%) and more than half of the female population (54.2%) in the country were literate. Furthermore, there has been a marked improvement in the literacy situation of the disadvantaged groups of scheduled castes (SCs) and scheduled tribes (STs).

A state-wise disaggregated analysis shows that striking disparities in literacy rates across the states/UTs have persisted. The low-literacy districts (30–36% literacy rates) are scattered in the underdeveloped states of central and eastern India (Bihar, Jharkhand, Uttar Pradesh and Odisha). It is usually argued that the problems of uneven progress of literacy and widespread illiteracy are linked with the political economy of uneven development in India. In general the states with overall low literacy rate continue to have a large gender gap also, despite substantial improvement in female literacy. More than 80% districts having female literacy below 50% were concentrated in the nine states of Jammu & Kashmir, Rajasthan, Uttar Pradesh, Madhya Pradesh, Bihar, Jharkhand, Odisha, Arunachal Pradesh and Andhra Pradesh. In Bihar there was no district with female literacy rate more than the national average of 54.2%. The gender gap in literacy rates among SC and ST was large. In 2001, the literacy rate for SC males and females was 66.6% and 47.1% respectively. The literacy rate for ST women was considerably lower (34.8%) than ST men (59.2%).

The literacy rate for Muslims was 59.1%, lower than the national average. Among the six major religious communities, the gender gap in literacy rate for Jains and Christians is less that 10 percentage points. The maximum gender gap between male and female literacy rates is found among Hindus (23%), followed by Sikhs (21.4%), Buddhists (21.5%) and Muslims (17.5%).

Despite the growth rate of literacy during 1991–2001, the magnitude of illiteracy among different populations in absolute terms reveals the extent of the challenge in the new century. Although the absolute number of illiterates in the age group of 7+ years has declined from 332.3 million in 1991 to 304.1 million in 2001, the challenge of making India literate was still very daunting. The non-literate adults constitute about 40% of the adult population. This means there were around 236 million non-literate adults in 2001. In absolute terms, regional and gender disparities in illiteracy were very alarming. The seven states where the literacy rate was below the national average – Uttar Pradesh, Bihar, Jharkhand, Rajasthan, Madhya Pradesh, Odisha and Andhra Pradesh, accounted for about 59.2% (175.3 million) of India's non-literate population.

More than two decades have elapsed since the launch of the TLCs. Most of the target districts have undergone TLCs, Post-Literacy Campaigns (PLC) and Continuing Education (CE) phase. This attempt to understand the contribution, impact and experiences of the literacy campaigns and what has followed thereafter is by no means an easy task. The assessment focused on how did people (in particular women) participate in the literacy campaigns and continuing education? What were their expectations and how far these were met? What were the key processes adopted in imparting learning during the campaigns, and how were these impacted in the empowerment processes?

The districts selected for the study have been through the total literacy and post-literacy and CE phases, with the exception of East Singhbhum where the TLC itself was a big failure. This preliminary assessment study of the adult literacy campaigns have taken into consideration not only the ability to recognise alphabets but the overall benefits the that learners see as an advantage – be it self-development, social or economic. These field studies have adopted a combination of methodologies for understanding the processes of learning in the adult literacy promotion efforts.

Our assessments have attempted to locate literacy within the larger social and political contexts. The assessment study has focused on understanding and documenting the overall change processes that happened as a result of their participation in the literacy classes. The communities selected include the *dalits* and tribals of rural remote villages. We have tried to ascertain the different perspectives, to different groups of people – women, the marginalised and the indigenous groups.

Women's Empowerment and Literacy

A very conscious effort was made in the study to have a look at the key issues including what role the literacy programmes have played in bringing women's empowerment and their inclusion issues to the forefront, and how far women have benefited on several fronts such as employment, facing less of discrimination, exercising one's own choices in reproductive matters, participation in village level democratic and political processes, having a greater say in household decisions, etc. For the purpose of looking at these very important and sensitive development issues the study focused on four of the least literate districts of the country – Churu in Rajasthan, East Singhbhum in Jharkhand, Jhabua in Madhya Pradesh, and Koraput in Odisha. Efforts were made to look at gender across the various aspects of study which encompassed the various literacy programmes as well as the newly launched *"Saakshar Bharat"* programme. The findings of the study have been recorded accordingly.

Main Findings of the Study

The study had brought out a set of interesting findings as against the reported huge success of adult literacy initiatives. Most importantly, the impact of literacy programmes on women's learning abilities and resultant social change wasn't visible. On the other hand, mostly the learners had only learnt how to sign! While there has been a greater emphasis on the participation of women in the literacy classes, gender sensitivity has not been found in the preparation of the community to allow women to safely participate in the evening classes, so that during the time the women attend classes, the men could be motivated to attend to household tasks, etc. It was found that the literacy activities had not been a continuous process, and NLM programmes in the field had witnessed serious gaps and discontinuity between different phases of the programme and poor targeting of the neo-literates from TLC to post-literacy and then to continuing education. It was reported that classes were regularly run only for a period of one month to two months. This means the beginning and end were abrupt. Other key findings included:

- The literacy initiatives need to be linked to innovative and effective approaches that enable women to shed their traditional bounda¬ries, gain confidence to deal with local government machineries, particularly in the context of participating and securing wages under the MNREGS, securing pensions and other schemes that are aimed at improving their economic conditions and social status.
- Making an adult literate requires a combination of approaches that would enable them to relate to their day-to-day life situations, help them enjoy the evenings after a hard work and draw humorous comparisons that would make them laugh and learn. The highly target- (number) driven campaign with poorly defined strategies to engage with the illiterate resulted in waste of time and resources.
- The high rate of relapse into illiteracy critically indicates that much more is required to impart as well as sustain literacy. The poorly designed literacy programmes and campaign got caught in the making up of numbers (target) without looking at the critical issues of sustaining literacy. This is especially important when it is realized that the effect of training without practice is zero, likewise rapid assistance to learn alphabets and numbers cannot be sustained without continuous practice and use of the learning. It has been observed that most of the TLC women learners from the study districts retained their skill to draw their signature mainly because of their involvement in SHG functioning and signing of SHG loan documents. The practice of signing various SHG loan documents helped most of the learners to retain their knowledge of signing documents.
- The significant need today is to understand these phenomena in a proper perspective. It is thus essential to ponder deeper into the processes and approaches undertaken hitherto, examine both strategically linked factors of collaboration and support rather than delivering adult literacy. The straight-jacketed and inflexible guidelines as well as the envisaged mechanisms of delivering adult literacy need to be revisited with an open mind so as to allow the space to other stakeholders who are best suited to undertake the job optimally!
- A combination of activities is required to address the problem of literacy. This includes better training for literacy personnel, creation of infrastructure and related processes, such as adult learning through reading programmes that would encourage self-learning processes, individually or in groups.
- The Volunteer Instructors who were selected to impart literacy classes belonged to various age

groups with poor literacy outcomes. It was found that the selection and training of volunteers lacked screening for necessary abilities, but were dominated by considerations of caste and economic groups. Also there exists no volunteer in the real sense to work for free. When the expectations of the Volunteers were not addressed, they withdrew from teaching and thus the abrupt end of the literacy classes happened.

- The neo-literates were left without any support and motivation to practise what had been learnt by them. The failure to retain literacy gains among the neo-literates was observed to have been the resultant effect of this.
- The goals as well as expectations of different age groups, of women and of marginalised and indigenous groups from literacy programmes were different – a fact which was totally overlooked by the much publicized campaign approach.
- Adult literacy to be meaningful and effective should be able to build a strong link to the social and economic life of the people for whom such campaigns and other initiatives are made. Elements of such an effort were not visible in all the four study districts and hamlets visited by the team of researchers.
- While it is well documented that the volunteers played a critical role in this process, the dialogues and interviews with the Voluntary Instructors revealed that their interest to continue the adult literacy classes died down within a very short period as little support and encouragement was forthcoming from the government machinery.
- The adult literacy programme delivery design looked straight-jacketed with very little scope for innovation and experimenting with different models. The whole responsibility of delivering adult literacy was shouldered by the district government who had very little people contact (ability to reach out to the vulnerable sections) as well as experiential knowledge to deal with various adversities faced by rural mothers and women.
- The other significant element of the programme implementation relates to the language and content of the primers and other literacy materials. The field studies have found that despite flexibility provided to the district, lack of time and capacities at the district level have often led to the use of primers developed at the state level, which were not fully sensitive to the local language and culture.
- As regards the status of "Saakshar Bharat Mission" (SB) – even after one year of its official launch, the study found that it was yet to be formally initiated in Jhabua district. As the female literacy rate of East Singhbhum was more than 50% it was debarred from being a target district of SB. Thus SB was not to be implemented in East Singhbhum. In Odisha 3 out of 19 districts were selected for Phase-I implementation of SB till March 2010. The districts were Kalahandi, Balangir and Sundargarh. Koraput was identified for the implementation of SB, however no work was in progress as it would not be done in the first phase of SB implementation. In Churu, a survey was being carried out for the implementation of SB.

Recommendations

What we achieved so far in the adult literacy is mainly a vocabulary change and the challenge before Saakshar Bharat is "walking the talk". As said above, a lot of statistics about achievements in adult literacy has been presented. However, the rapid study findings suggest the need for rigorous introspection and take congnisance of the need for pragmatic approach in the design and delivery of national adult literacy programmes. Keeping this in mind, the following recommendations are made:

- The government may think of assuming the role of a facilitator of adult literacy rather than the doer. The local CSOs and PRI institutions may be brought in as the main driver of the adult literacy classes rather than the district administration directly delivering literacy!
- The literacy initiatives need to be linked to innovative and effective approaches that enable women to shed their traditional boundaries, gain confidence to deal with local government machineries, particularly in the context of participating and securing wages under the MNREGS, securing pensions and other schemes that are aimed at improving their economic conditions and social status.
- The Volunteers and learners need to be appreciative of each other. This means the Volunteer Instructors need to be capable of arousing adults' interest to learn, deal with their questions relating to day-to-day life, governmental schemes, etc. Payment to teachers or instructors would help to maintain continuity of classes and also the participants can demand for holding of classes.
- Literacy needs to be placed within a larger social, economic and political framework. The political will to make India literate should translate in enabling villages to adopt local strategies to get literate and sustain that skill. The local government

at least should come up with broad guidelines & expected results.

- Creation of a robust database of the adult literacy programme is extremely crucial. The external evaluations should be based on the base-line data and progress achieved within each timeline.
- There seems to be a lack of interest and initiative from the CSO community in undertaking and assimilating the need for promoting adult literacy. Both the government and donor organizations may identify promotion of adult literacy as a cross-cutting and important intervention in making women empowered.

Suggested Future Action points in the Context of *Saakshar Bharat*

- The current structure of the literacy programmes needs a change in favour of collaboration with local CSOs in the implementation of adult literacy classes alongwith their regular projects. This would ensure interweaving of adult literacy within the larger social and economic contexts.
- PRI institutions may be sensitized on the need to support local adult literacy promotion classes and facilitate appropriate logistical support.
- The SRCs may have the mandate of supporting the development of locally relevant teaching materials rather than bulk producing teaching and learning manuals. SRCs are to ensure that the curriculum designs are fully met as per needs.
- Department of Adult Education may be engaged in research in appropriate curriculum that may assist SRCs in framing appropriate TLM, engage a number of third party researchers or research organisations for monitoring and evaluation, conduct user/beneficiary satisfaction surveys during the programme implementation stage and make suitable policy changes based on findings from studies and monitoring and evaluation exercises.
- Objectives should be more tilted towards ensuring that learners are able to relate the TLM and instructional methods with their livelihood needs (agriculture, plumbing, electrical and electronic works, etc.), participating in decision-making at home as well as the community levels, having a say about their own family size and take care of their own health needs, etc.
- Completion of the programme with emphasis on skill formation, enhancement or upgradation should be rewarded with special incentives like ready availability of bank credit, offer of higher subsidy, etc.
- Trainers should be a mix of men and women. They should be locally-selected adults without compromising the minimum standards of selection. Training should be given to them them at least three times during the programme implementation cycle to make them more relevant contributors to the programme.
- Continuity should be strictly based on programme evaluation findings. Beneficiary satisfaction survey results should guide the structure and design of continuity programmes.Continuity must ensure higher level of targets – from quantity or quality or both the angles.

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