

“Governance Issues and Challenges in Implementation Of National Food Security Act 2013”

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“Governance issues and challenges in implementation of National Food Security Act 2013”

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Abstract

India is a developing country having 2nd highest population in the world. Even after 66 years of its independence, Country is facing a serious issue of poverty and malnutrition. The Government of India has introduced many welfare schemes for which huge subsidies are provided under various bills, acts or laws. The implementation of National Food Security Act (NFSA) will be done through the existing Public Distribution System (PDS) with certain modifications. When we look at the history of PDS in India it has lot of issues in terms of proper governance. The governance issues in the existing system may be resolved by reducing the leakage in PDS and improving the scientific storage facility. The concern of food security and poverty may be resolved by implementing the better governance in the existing system without additional burden of food subsidy by NFSA. If government strengthens the policies of employment opportunities and better education, people will be benefited indirectly from it and the issue of food security may be resolved by itself.

The primary objective of this study is to critically analyze The National Food Security Act – 2013 with respect to policy framing, current distribution system etc. Hence it reveals that food security is the concern for India but food security act is not the only solution. The current National Food Security Act requires to be made more specific and clear about many provisions. Looking to the current status of the act, authors observed that the government may find difficulties in achieving food security. Proper Formulation of government policies and its implementation with transparent system can help in achieving food security for the citizens of India.

Key Words: National Food Security Act, Public Distribution System, Poverty, Governance Issues

Theme: 6 Corporate Governance and Law

INTRODUCTION

As per World Bank data of 2012, India stands at 10th position in terms of GDP^[1]. Though being one of the developing countries of the world, India is struggling with many primary issues like poverty, malnutrition, corruption etc. As per Welthungerhilfe, IFPRI, and Concern Worldwide: 2013 Global Hunger Index^[2], India is ranked 16th in the list of countries having serious hunger situation.

There are number of policies and subsidies introduced and implemented by Government of India (GOI) to overcome the issue mentioned above. Food Subsidy has the highest proportion in an overall subsidy burden of GOI. The basic objective behind food subsidy is to help the poor class of the society to avail food grains at low cost compare to the market rates. Recently Government has passed the 'National Food Security Act' to ensure the right to receive food grains at subsidized prices by persons belonging to Below Poverty Line (BPL) through Public Distribution System (PDS).

Though the motive behind NFSA is very noble, but it seems difficult for government to implement this act without overcoming the governance issues and challenges prevailing in the system.

Highlights of NFSA

- Coverage of two thirds population to get highly subsidized food grains which will include 75% of Rural and 50% of Urban population.
- 5 kg of food grains per month at Rs.3, Rs.2, Re.1 per kg. for rice, wheat and coarse grains respectively
- Poorest of the poor household to get 35 kg per month
- Eligible households to be identified by the States/UTs
- Distribution will be done through existing Public Distribution System
- Food Security Allowance by cash transfer in case of non-supply of food grains
- Reforms for doorstep delivery of food grains
- Food grain requirement is 612.3 lakh tons
- Total Food Subsidy will reach to Rs.124747 crore.

LITERATURE REVIEW

Suryanarayana M.H. (2009)^[3] had found that the Planning Commission and the Expert Committee had recommended options for universal coverage of public distribution system to promote general food security, do not seem to have made a careful analysis of the NSS data. Few studies on poverty in India have bothered to examine the genuineness of the information base and its implications before making estimates of poverty, interpreting them and making policy recommendations.

Thej K. (2013)^[4] in his paper has criticized that Central Government cannot conjure up a state of unbridled food security through the Food Security Bill, 2011. It ought to revamp the Bill by leaps and bounds to include provisions to offer nutritional security, invest in storage facilities and superintend the functioning of the Targeted Public Distribution System.

Saxena N.C. (2007)^[5] in his review article had found that changing the design of the sponsored schemes (subsidies) alone is not enough. Greater efforts are needed to build the capacity of administration and improve governance. The concept of good governance should therefore be translated into quantifiable annual index on the basis of certain agreed indicators, and central transferred should be linked to such an index.

Upadhyay R.P. and Palanivel C. (2011)^[6] had concluded that the causes of existing food insecurity in India is due to unavailability of food and poor purchasing capacity, illiteracy, unemployment, overcrowding, poor environmental conditions, gender bias, lack of intersectoral coordination and political will, poorly monitored nutritional programmes and inadequate public food distribution system. To achieve food security priority has to be assigned to agriculture and rural development along with promoting women empowerment, ensuring sustainable employment and improving environmental conditions (water, sanitation and hygiene).

Nair B.G.(2012)^[7] in his paper has criticized the National Food Security Bill, 2011 by not considering the indispensable recommendations from various sources. Provisions for procurement and storage should have more clarity, prioritizing decentralized procurement, scheduling the distribution of food grains, etc. The Bill should not just be an attempt to satisfy at the surface level the growing demands for better food coverage of the nations.

Kumar U. and Chatterjee B. (2012)^[8] in their paper has suggested that the National Food Security Act, in its present form, cannot be called an expected Act on ‘food security’. But with some amendments the Bill would eventually lead the country toward attaining the goal of universal food security. Have explicit provisions for decentralized procurement, storage and distribution of food grains through institutions of local governance. Also by adding provisions with respect to climate change, soil health and a built-in mechanism for monitoring the progress on key elements.

Rao V.S. (2012)^[9] has views that National Food Security Bill does not meet expectations. It disregards accepted definitions of ‘food security’ and ‘nutritional security’. It defines food security as “the supply of the entitled quantity of foodgrains” and meals provided under existing programmes. The Indian government must consult with the states, devise a strategy, reach consensus on cost sharing, establish quantifiable objectives, set responsibility and monitoring mechanisms, and show political will to achieve the objectives.

Dand S. and Neyak P. (2012)^[10] are in a view there will a lot of misconception due to lack of clarity in implementation of National Food Security Bill at state level. So, consultation with states and local body participation through centres of autonomous decision making, transparency, accountability and grievance redressal mechanism have to be followed. The comments from the state government shall be dealt constructively to avoid large scale regional imbalance in the provisioning of the services.

Sinha D. (2013)^[11] in her research paper has reviewed that the cost of implementing National Food Security Bill will be unaffordable for a country. Many state governments have already been spending a lot of additional funds from their own budget to expand the PDS budget. NFSB does not include any specific provisions for decentralized procurement; this is another area where work is needed. Eligibility criteria, delivery mechanisms and account ability measures have all to be put in place.

Chakraborty D. (2005)^[12] has suggested certain policy changes like spending on the Public Distribution Scheme has risen dramatically in recent years, but much of this reflects increasing operational costs. There is a need to ensure employment opportunities for at least one able-bodied member of a household. In the long term, food security will result from the wider tackling of poverty. This will require improvements in infrastructure and time-limited targeted policies to improve rural farm and non-farm productivity.

Vala V.G. & Gujarati H.S. (2014)^[13] in their research paper had shown the negative financial and economic impact of implementing National Food Security Act. The higher food subsidy allocation will reduce the growth rate and increase the inflation as well as fiscal deficit in the coming years. To tackle such situation, Government may apply other means to achieve food security instead to implementation of National Food Security Act.

Gulati Ashok et. al. (2012)^[14] has analysed the data of NSSO survey (66th Round) and found that there is 40.4% leakage in current PDS system. They have also found that for reforming PDS, the primary issue require to be tackle are identifying eligible beneficiaries, removal of bogus ration cards and provide choice of FPS to the beneficiary to procure food grains.

Varadharajan K.S. *et al.* (2013)^[15] in their review article had derived that when a Government is adopting a rights-based approach in food security then it requires enormous amount of its intervention to increase production and improve procurement and storage systems. Even after implementation of various welfare schemes way back, the existing poverty and malnutrition are symptoms of a systemic failure. Environmental sustainability, climate change and international trade in commodities increase, the challenge for Indian agriculture and food distribution systems to keep up with production and access will become even greater.

CRITICAL ANALYSIS OF NFSA

Poverty Ratio and Poverty Line

The root cause of the food subsidy and National Food Security Act (NFSA) is poverty prevailing in country. For identification of the poor class of the society, poverty line is the thresh hold. “For 2011-12, for rural areas the national poverty line using the Tendulkar methodology is estimated at Rs.816 per capita per month and Rs.1,000/- per capita per month in urban areas. Thus, for a family of five, all India Poverty Line in terms of consumption expenditure would amount to about Rs.4,080/- per month in rural areas and Rs.5,000/- per month in urban areas. These poverty lines would vary from State to State because of inter-state price differentials.”^[16]

Table 1: Per Capita Poverty Line

	Per Capita Poverty Line Per Month		Per Capita Poverty Line Per Day	
	Rural (Rs.)	Urban (Rs.)	Rural (Rs.)	Urban (Rs.)
Individual	816	1000	27.20	33.33
Family of 5 person	4080	5000	136.00	166.67

Source: Press Note on Poverty Estimates, 2011-12, Government of India, Planning Commission

Based on the poverty line, Government of India declares the poverty ratio at some interval of time. No doubt that it is difficult to survey entire population frequently, but the poverty line can be related with inflation data declared by RBI so that every year, new priority household can be included.

Poverty ratio by the year 2011-12 is 21.9 percentages and number of poor according to this ratio comes to 269.3 million. Here, it is notable that the numbers of poor in the year 1993-94 were 403.70 million which were reduced to 269.30 million by the year 2011-12, which is a reduction of more than 33%. And as a result the poverty ratio was also reduced by more than 50% during 1993-94 to 2011-12. This is a fair achievement in terms of numbers, but when these figures are compared with the world statistics, then it does not show a fair picture.

Table 2: Poverty Ratio and Number of Poor

Year	Poverty Ratio (%)			Number of Poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.10	31.80	45.30	328.60	74.50	403.70
2004-05	41.80	25.70	37.20	326.30	80.80	407.10
2011-12	25.70	13.70	21.90	216.50	52.80	269.30

Source: Press Note on Poverty Estimates, 2011-12, Government of India, Planning Commission

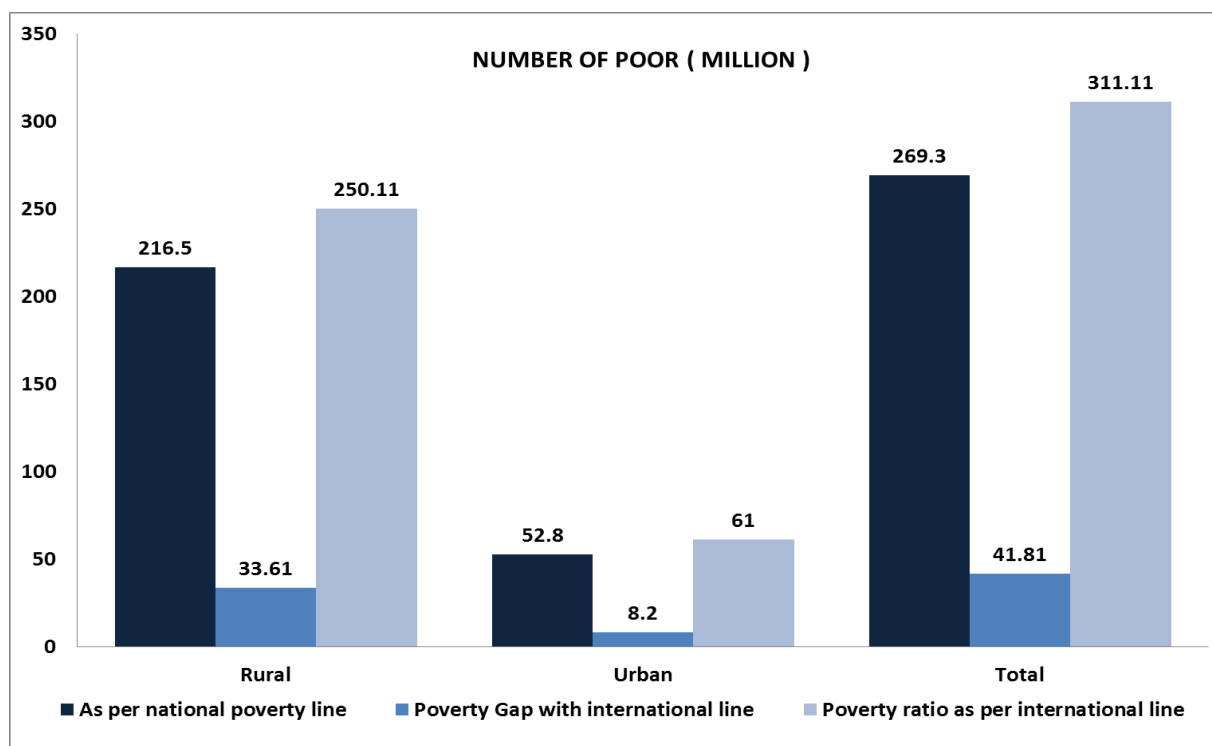
As per the World Bank, The International Poverty Line is 1.25\$^[17] per capita per day based on the purchasing power parity. As per the GOI 21.90% population is poor whereas the World Bank estimates poverty ratio at 25.93%, which is higher by 4.03% compare to national poverty line. This shows the vast difference between these statistics. As per World Bank, The number of poor people should be 311.11 million instead to 269.30 million (here the Government database shows the gap of 41.81 million number of poor).

Table 3: Gap between International and National Poverty Ratio

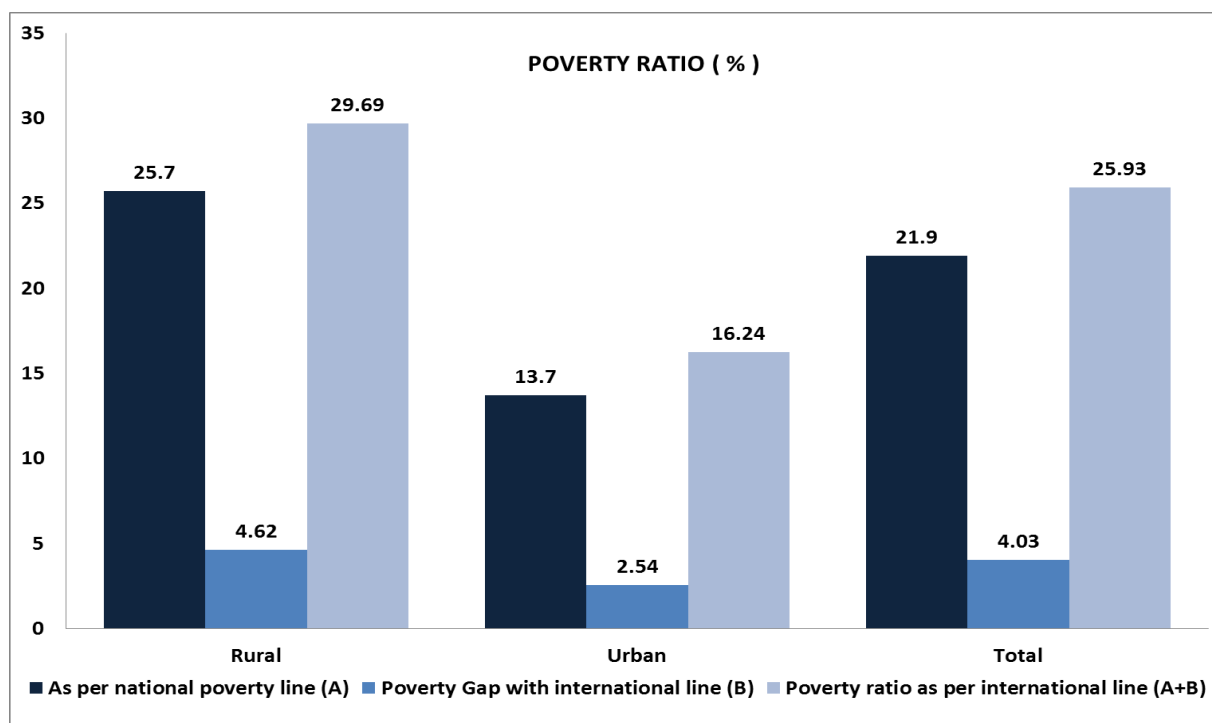
Poverty Data for year 2011-12	Poverty Ratio (%)			Number of Poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
As per national poverty line (A)	25.70	13.70	21.90	216.50	52.80	269.30
Poverty Gap with international line [#] (B)	4.62	2.54	4.03	33.61	8.20	41.81
Poverty ratio as per international line (A+B)	29.69	16.24	25.93	250.11*	61.00*	311.11*

Source: # <http://data.worldbank.org>, *By ratio method

Graph 1 : Number of Poor as per National and International Poverty Line



Graph 2 : Poverty Ratio as per National and International Poverty Line



The Section 3, Sub section II of the NFSA claims that the act will cover 75% of the rural population and 50% of the urban population which is Two Third population (67%) of India. As per national poverty line 22 % population and as per International Poverty line 26% population is poor. Here question arises that, why government has proposed to cover unnecessary extra population of 41% (67% - 26%).

Poverty and Ration Card

As per the latest available data of Ration cards, 45.89% who are either poor or poorest of poor and 54.11% are from Above Poverty Line category.

Table 4: Ration Cards and Fair Price Shops

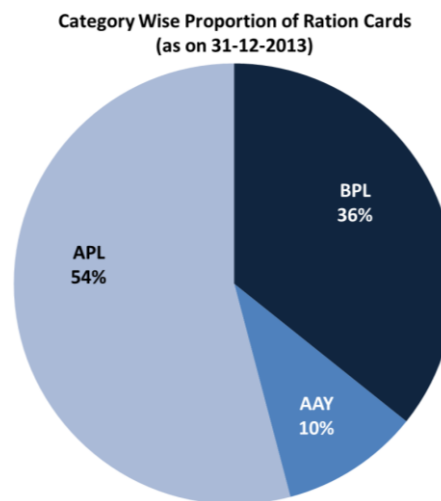
No. of Fair Price Shops	Ration Cards (in Lacks) (as on 31-12-2013)			
	BPL [@]	AAY [#]	APL ^{\$}	Total
515108	870.85	247.633	1318.78	2437.26
In BPL category priority households are included in case of Delhi.				

Source: Department of Food and Public Distribution

@BPL = Below Poverty Line

#AAY = Antyodaya Anna Yojana (Poorest of the poor)

\$APL = Above Poverty Line



Graph 3

The current population of India as on 21st February 2014 is 124.90 Crore ^[18]. As per the poverty estimates of 2011-12 the average household size of 5 (rounded off) was considered while calculating poverty line. Therefore, the current number of household comes to 24.98 Crore (Current Population / Current number of household).

Now as per the above table total numbers of ration cards issued by the year 2013 were 2437.26 Lacks. So, if number of ration cards are multiplied with average household size of 5, then the number of people benefited from the government welfare schemes through ration cards comes to 121.86 Crore . This gives a clear picture that still total number of people who are not having the ration cards are around 3 Crore.

There is also a variation in the data of government agencies. As per planning commission 22% population of India is poor, whereas ration card data reveals that there are almost 46% who are coming either in BPL category or in AAY category. This clearly indicates that either the poverty line is not properly defined or the ration card holders are taking undue advantage of the scheme. This clearly reveals that around 24% (46%-22%) of the beneficiaries are doubtful. In other words, this is only diversion of the food subsidy to wrong pockets which is the result of corruption or leakage in the public distribution system.

The government has failed to identify poor class of the society and still claims to cover two third of the population.

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Public Distribution System and Leakage

The Government is going to implement this act and supply food grains to poor by existing Public Distribution System. The above analysis is based on the ration card data of December 2013 and poverty line clearly reveals that, there is a leakage of 24% in the PDS while as per Gulati A. et. al. (2012) there is a leakage of 40.4% in the PDS.

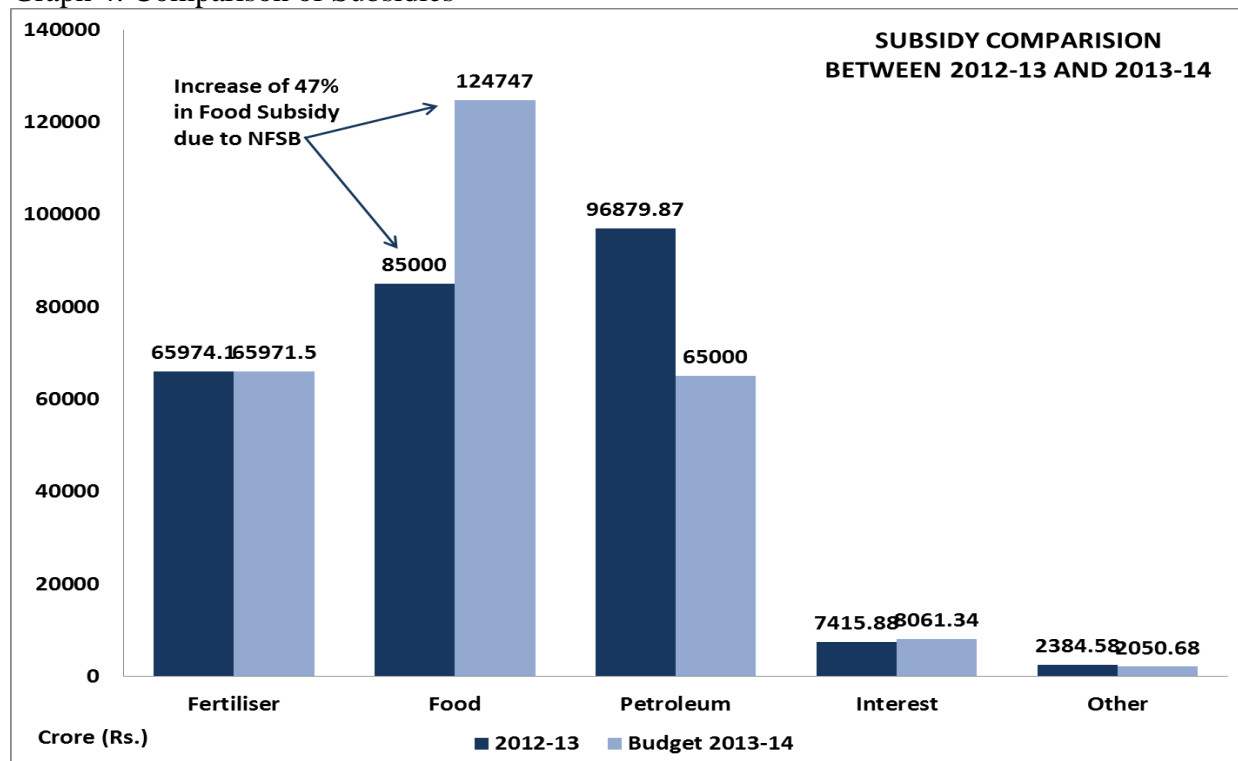
Though one fourth of the money is not reaching to targeted beneficiaries under PDS, government is still implementing this programme via PDS only. Instead of increasing food subsidy the government should have reduced leakage to achieve better results.

Table 5: Subsidy Allocation

Subsidies (Rs. In Crore)	2012-13	Budget 2013-2014	Revised Fig of Food Subsidy with NFSA
Fertiliser	65974.1	65971.5	65971.5
Food	85000	90000	124747
Petroleum	96879.87	65000	65000
Interest	7415.88	8061.34	8061.34
Other	2384.58	2050.68	2050.68
Total – Subsidies	257654.43	231083.52	265830.52

Source: Expenditure Budget Vol. I, 2013-14

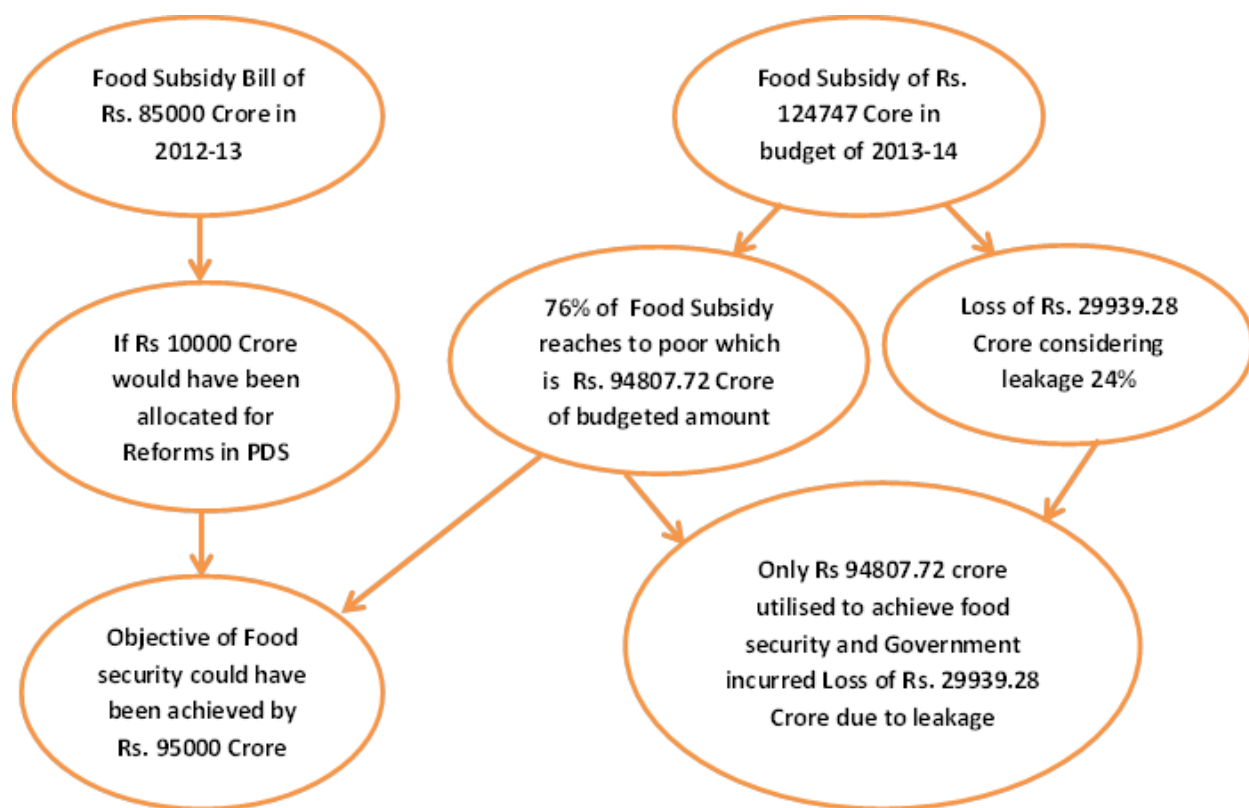
Graph 4: Comparison of Subsidies



Food Subsidy in 2012-13 was Rs.85000 crore which increased to Rs.124747 crore for the year 2013-14 which is an increase of 47% in the budget of food subsidy. Without reforms in PDS, around 24% of the money is not going to reach targeted population.

In other words, though government is spending Rs.124747 crore for Food Subsidy, the outcome will be only 76% of total spending which is equal to Rs.94807 crore. This amount is just higher by approximately Rs.10000 crore compared to the figures of 2012-13.

Illustration:



Above diagram clearly indicates that, if government would have spent Rs.10000 crore on strengthening the PDS system and removing corruption, then also same result would have been achieved without increasing amount of food subsidy. Around Rs.30000 crore may be utilized towards other development programmes.

Household Identification

As per section 10, Chapter IV of the act, the state government is responsible to identify the priority house hold. For this purpose the state government can prepare guidelines. As per this section, the targeted population is to be identified by the state government and in section 9 of the act claims to cover 67% of the population. When Central government is not having the data of targeted priority households, how can they claim for giving benefit to 67 % of the population? It is clear that Central Government has just mentioned the targeted population without any proper calculation.

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Reforms Suggested in the Act

Section 12 of the act is related to the reforms in the targeted public distribution system. In this, government has suggested and mentioned some steps towards reforms such as doorstep delivery of food grains, implementation of communication technology, leveraging “Aadhar” for unique identification, transparency of records, participation of public institutions in licensing fair prices shops, introducing schemes of cash transfer, food coupons etc.

Aadhar Cards

As per the latest available data 58.86 crore “Aadhar” cards are issued by 25th February 2014^[19]. But in 2013 the Supreme Court of India has made “Aadhar Cards” non-mandatory for getting any social benefit. Here government will have to rethink about unique identification of the targeted beneficiary of food security.

Cash Transfer Facility

Government has also mentioned about cash transfer in case of non-availability of food grains. As per planning commission, around 58.7%^[20] households avail banking facilities. If we assume, that all the APL category households has access to banking services than around 4.6% (58.70% - 54.11%) household from poor class has banking facilities.

This reveals that out of 45.89% of the poor, only 4.6% has got bank account which is just 10% of the poor population. Around 90% poor do not have bank account, then how the government will pass on the benefit to them?

Computerization of Fair Price Shops

Computerization of all Fair Price Shops (FPS) for implementation of communication technology is itself a big challenge because there are 515108 FPS. Many of those might be in remote areas where electricity and internet facilities will be required. The Computerization of all the FPS should be done prior to implementation of NFSA.

Door Step Delivery

Government also suggest providing door step delivery of food grains. This will require well established delivery system having proper database of every ration card holder with their addresses. This type of mechanism requires highly secure and transparent delivery system. Government should be in a position to confirm that the delivery of food grain has reached to the right person else it may increase the scope for diversion of the food grains, before it reaches to the actual beneficiaries.

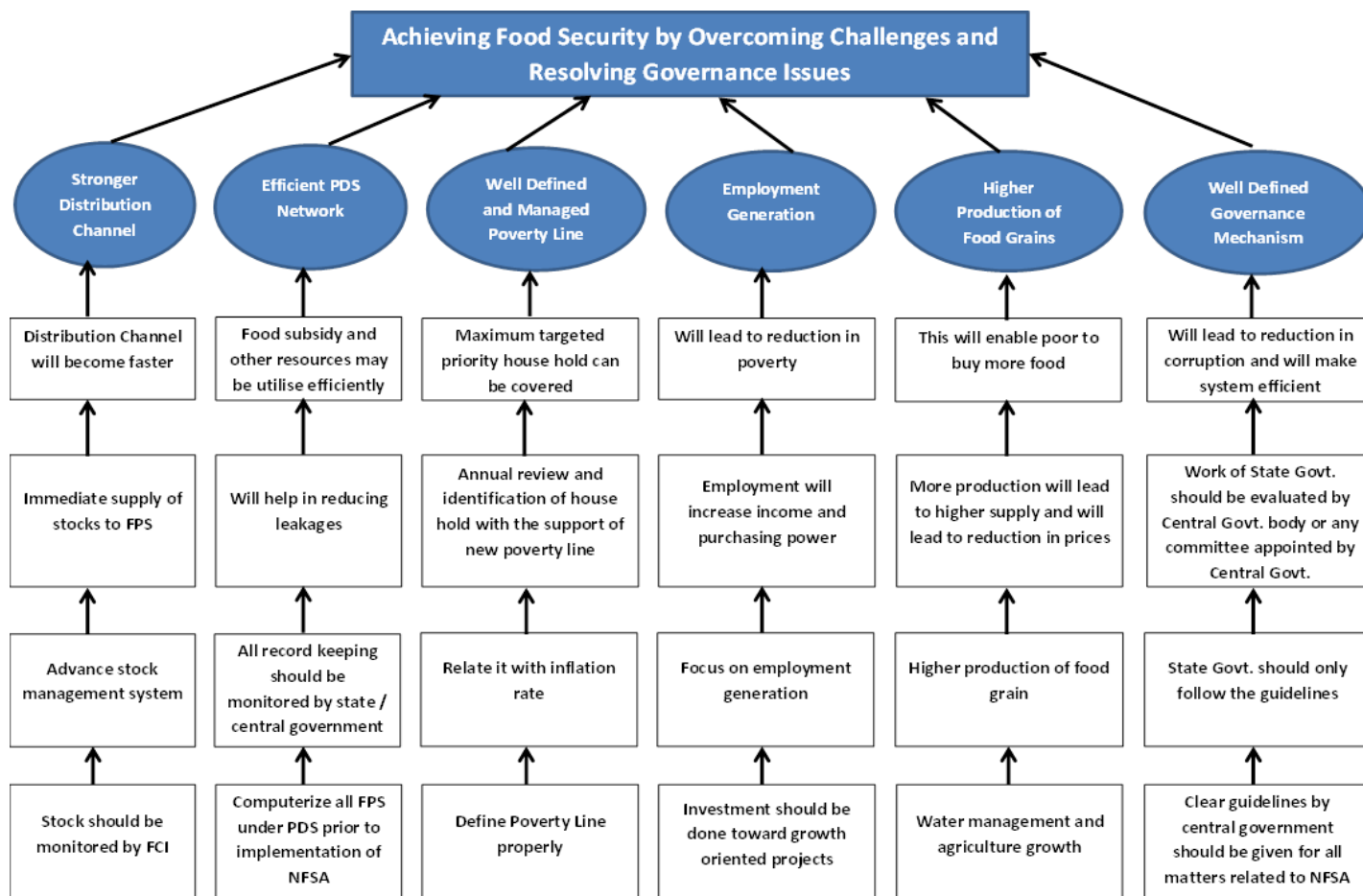
Findings

- Government has proposed to cover 67% population under this act though the poverty ratio in India is 26% as per international poverty line and 22% as per national poverty line. Unnecessary coverage of 41% of the population will increase the cost of subsidy and it will adversely affect the efficiency of distribution channel and will increase the scope for leakages.
- The State Government is allocated the task of preparing guidelines and identifying priority households. This indicates that the Central Government doesn't have the exact data of actual beneficiaries of NFSA, yet it claims to cover two third of the population.
- Government has proposed to implement this act through PDS. As per the finding there are 3crore people who do not have ration cards but Government has not mentioned any clear guidelines for including these people under NFSA.
- The study reveals that there is a leakage of 24% in the current PDS. Instead of rectifying existing system before implementation of NFSA, government will implement the program via erroneous mechanism.
- If the government would have resolved the issue of leakage in PDS, then Rs. 30000 crore could have been saved.
- One of the reforms suggested by government for improving PDS is to leverage "Aadhar" cards for unique identification, but this step is not going to be helpful as the Supreme Court of India has made "Aadhar" non-mandatory for getting any social benefit.
- The government has proposed to implement cash transfer facility in case of non-supply of food grains but only 10% of the poor avail banking facility in India. Providing banking facility to 90% of the poor is a big challenge for the government.
- Computerization of fair price shops and door step delivery are also among the proposed reforms by government. But looking to the current scenario it seems a challenging task.

Conclusion

Based on the literature review and critical analysis of the act, the following model is proposed for achieving food security by overcoming challenges and resolving governance issues which will increase the efficiency of PDS, reduce the adverse effect of food subsidy on economy, help in identifying the targeted beneficiary, will help in reduction of poverty, improve the production of food grains and these all will result in well-defined governance mechanism to ensure the food security in India.

Suggested Model



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