

Statement of Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission

(For the Press Conference on 3rd October, 2011)

Over the past week, there has been extensive discussion in the Press criticising the Planning Commission estimates of poverty. The issues raised are very important and deserve full public debate. I would like to explain the position of the Commission on these issues.

The central issue of criticism is that the poverty line, reported by the Planning Commission to the Supreme Court responding to specific queries by the Court, is unreasonably low. I would like to point out that the poverty line is not a new concept. The Planning Commission has been computing poverty since 1979 using a consumption based expenditure basket that was originally taken from the 1973-74 data. This procedure was subsequently amended by the Lakdawala and Tendulkar committees in 1993 and 2009.

In our first affidavit, filed on 10th May, 2011, we responded to the Supreme Court's queries on whether the Planning Commission imposed a uniform cap of 37.2% of the population as eligible beneficiaries. The Planning Commission responded by pointing that any benefit system which was not universal would necessarily involve a cap. Since the TPDS was linked to BPL status, there was a cap but the cap was different for different States.

We also provided details of the method of computing and changes in it over time. We pointed out that because there were criticisms that the poverty line was too low, the Planning Commission had appointed an Expert Committee under the chairmanship of Prof. Suresh Tendulkar to make recommendations on whether any changes were necessary. The Expert Committee submitted its report in December, 2009.

The Committee recommended that whereas the urban poverty line, as adjusted for inflation, continued to be reasonable, the rural poverty line had become too low because the method of indexing was inadequate and the rural poverty line should be raised. The Tendulkar Committee did not anchor the poverty lines on a normative calorie intake basis. In fact the Committee explicitly recommended delinking poverty from calorie norms, but they concluded that the calorie intake at the new poverty line they had recommended was broadly in line with the new FAO norms.

The Tendulkar Committee recommendations with the higher rural poverty lines were accepted by the Planning Commission. This increased the percentage of the poor in 2004-05 from 27.5 percent of the total population to 37.2 percent. This was reported in the Mid Term Appraisal of the Eleventh Plan published in August, 2010.

The Supreme Court, after considering our affidavit passed an order on 22.7.2011 giving a number of directions. Most of the directions relate to the Department of Food and Civil Supplies which has taken follow up action. As far as the Planning Commission is concerned, the Hon'ble Supreme Court expressed reservations that the poverty line fixed by the Planning Commission at the national level was at 2004-05 prices and directed that the Commission "may revise norms of per capita amount looking to the price index of May 2011 or any other subsequent dates".

Pursuant to the directions of the Court, we filed a second affidavit on 20th September, re-computing the Tendulkar poverty line for June 2011 on the basis of the inflation during the interim period only. This yielded a poverty line of about Rs.4,824 for a family of five in urban areas and about Rs.3,905 for a family of five in rural areas. This estimate is on the basis of the 2004-05 poverty lines updated for inflation and not on the basis of NSSO consumption expenditure data in 2011, and is therefore tentative.

In our affidavit to the Supreme Court we had reported the poverty line in terms of monthly expenditure for a family, because this is how household budgets are normally understood. However, in public discussion, the monthly consumption expenditure has been converted into a daily per capita figure (namely Rs.32 for urban areas and Rs.26 for rural areas) which makes it appear very low.

Viewed in terms of the family budget, the question to ask is whether consumption of Rs.4,824 per family per month in urban areas and about Rs.3,905 in rural areas is appropriate? The Planning Commission has not itself applied independent criteria to determine whether this budget meets some objective standard. We accepted the recommendations of the Tendulkar Committee, which was after all an expert committee, and reported to the Court the updated figure on the basis of June 2011 prices which the Court had directed the Planning Commission to calculate.

It needs to be emphasised that the Tendulkar poverty line is not meant to be an acceptable level of living for the *aam aadmi*. It is actually the standard of living of those at the poverty line in 1973-74. This is clearly a level below which families are under severe stress, which is the basis of giving them exceptional support as embedded in various poverty amelioration policies including subsidised food and other facilities. The level is low and therefore families slightly above the poverty line are also vulnerable.

Recognising this reality, it is certainly not the view of the present Planning Commission that subsidised food should be limited only to those below the poverty line. For example, a strict application of the Tendulkar Poverty line to the 2009-10 survey data yields an estimate of poverty of 32% to 33% of the total population, rural plus urban. The NAC, chaired by Mrs. Sonia Gandhi, Chairperson of the UPA, has recommended that the entitlement of subsidised food should be extended to a broader "priority category", which goes beyond the concept of BPL, to encompass about 41% of the total population. We

have fully supported this expansion in inter-Ministerial discussions and it is now reflected in the Draft Food Security Bill which is being discussed further.

It is worth noting that the many benefits under various schemes are not linked to the poverty line. Some benefits at present are universal, e.g., free school education, Mid Day Meals, ICDS and the employment guarantee under the MGNREGA. The proposed Food Security Bill is not universal but it extends the benefit of highly subsidised food grains to a much larger category than the BPL, i.e., 41% instead of around 32%, and further to a general category which goes up to 75 percent of the rural population and 50 percent of the urban population. The Government has therefore responded to the need to protect more than the BPL.

A large part of the problem with limiting benefits to the BPL arises because of the exclusion of many people who should be in the BPL list, but are left out. The identification of households who should get BPL cards is the responsibility of the States. But there are many weaknesses in this part of the system.

These weaknesses are sought to be corrected by determining eligibility for the priority category in a more scientific way by a Socio-Economic and Caste Economic Census (SECC) conducted by the States on the basis of parameters of deprivation determined by Ministry of Rural Development. The Planning Commission has been involved in evolving these criteria. This census is now underway. The eligibility and entitlements of beneficiary households for different central government schemes will be determined after the SECC results are available and have been analysed. I have discussed this matter with Minister Rural Development and he has agreed that a Committee could be asked to suggest ways of doing this in a manner consistent with the Food Security Bill as it finally emerges. All these issues will also be discussed with the States before a final view is taken.

To summarise, there is no reason to fear that the Tendulkar Committee poverty line will result in exclusion of families otherwise deserving special assistance. The Tendulkar poverty line will remain a relevant reference point comparable to past estimates of poverty to see how development is helping to take more and more individuals above a fixed line over time and across States. Eligibility for subsidised food and indeed other benefits, will be widened to a much larger population, delinked from the poverty line.