

Covid-19 Crisis calls for Universal Delivery of Food and Cash Transfers by the State*

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The immediate need for universal food and cash delivery is by now obvious and urgent. Across the country, there are reports of people — migrant workers, local workers, peasants, pastoralists, fisherpeople, vendors, ragpickers, and the destitute — facing extreme hardship, even starvation, because their livelihoods have been extinguished by the lockdown. These have created further an unprecedented humanitarian crisis, as millions of households with depleted savings have no way to access food and other basic necessities over the coming weeks. The threat of infection from COVID-19 makes even harder their coping mechanisms.

In these dire circumstances, it is essential for the state to directly provide the basic means of survival to anyone who needs it. This must be in both cash and kind. Food access is the most important, but because of the closure of economic activity and the absence of any livelihood opportunity, this must be combined with cash transfers to tide over this period and the immediate aftermath. Food transfers must be provided for at least six months, and cash transfers for at least three months, though these can be extended depending on the period of lockdown.

Because of the severity of the crisis and the high probability of widespread hunger and descent into poverty, these transfers must be universal, made available to every person who needs them, without relying on exclusionary criteria, existing lists or biometric identification.

What will this cost? Consider first free universal provisioning of 10 kg of grain (wheat or rice) per person per month. This is likely to be availed of by at most around 80 per cent of the population. With an estimated population of 1.3 billion, providing this for six months would require 62.4 million tonnes of grain. This is a maximal estimate — the actual requirement would be lower. The FCI is currently holding 77 million tonnes of foodgrain stocks, compared to buffer stock norms of 24 million tonnes. It is expected to procure another 40 million tonnes from the current rabi harvest. It could easily release and allow the free distribution of foodgrain of 62.5 million tonnes and still have foodgrain stocks of 54.5 million tonnes, if the expected rabi procurement targets are met.

Furthermore, it is costly for the FCI to store this grain. The current costs of storage are estimated to be Rs 5.60 per kilogramme per year or Rs 2.80 for six months. This means that by releasing 62.4 million tonnes to feed the hungry of India over the next six months, the FCI would actually be saving Rs 17,472 crore, assuming that these idle stocks would have persisted. But even if these were sold, the costs are the revenue that would have been earned. This is difficult to estimate; but if we just blow up Nirmala Sitharaman's estimate, mentioned in her package, for six months and for 80 per cent of the population then we get a (maximal) figure of Rs 1,17,000 crore.

In addition to cereals, it is important to provide some pulses, cooking oil, salt, etc., but these would add relatively small amounts to the total expenditure, and some expenditure on pulses has already been included by using Sitharaman's estimate. This amount of physical grain could also be utilised in community kitchens and other

efforts to provide cooked food to those (such as migrant workers and the homeless) who are not in a position to cook for themselves.

In addition, we propose a cash transfer of Rs 7,000 per month for three months to every household, assuming again that 80 per cent of households would receive this. With five persons per household, this expenditure would be Rs 4,36,800 crore. The two transfers together amount to Rs 5,53,800 crore, or around 2.9 per cent of currently estimated GDP.

This is not a forbidding sum, especially considering that India has no wealth tax, a potentially rich source of revenue. Needless to say, a great part of the responsibility to make these resources available vests with the Union government. But whatever taxes are introduced in a supplementary budget that has become unavoidable, the expenditure incurred has to be financed immediately through a fiscal deficit.

Given the massive deflationary pressures and a complete collapse of economic activity, there is a strong case for financing the additional public expenditure through deficit financing or borrowing directly from the RBI. This is required both for coping with the pandemic and for softening the blow of the lockdown.

The question then arises of how universal delivery of these food and cash transfers is to be ensured. Existing lists are inadequate for the purpose because they significantly underestimate and exclude those who should be beneficiaries. For example, as pointed out by Dreze, Khera and Mungikar, at least 100 million people are excluded from access to food under the National Food Security Act based on the 2011 Census. The most effective way of dealing with the food emergency is to provide food delivery at doorsteps or neighbourhood collection points to anyone who asks for it, with a simple marker such as the indelible ink used during elections to serve as the indicator of receipt.

For cash transfers, the matter is more complicated. In rural India, MGNREGA job cards and pensions cover most households and allow bank payments. The urban poor include migrants, contract and casual workers mostly in small and medium enterprises, daily wagers, domestic workers, self-employed persons like street vendors, sex workers and ragpickers, and the destitute including homeless people. But there is no comprehensive record of the urban poor because the state has instituted no effective mechanisms to secure labour rights or social security rights to most urban workers. The urban poor build and service the city, surviving without rights and a hostile or indifferent state. The legally-mandated registration of inter-state migrants and construction workers in practice excludes most because their employers with the connivance of the state don't wish to be bound to secure their rights.

The humanitarian emergency created by the pandemic and lockdown entails universal cash transfers again to every adult who presents herself to designated officials in decentralised offices. For those who have accessible bank accounts, the funds can be credited to these accounts. For others, the Odisha system, whereby pensions are disbursed as cash in hand at pre-specified times, maybe a useful model to follow. This also can be adopted with indelible ink as proof of receipt.

The income transfers must quickly give way to an expanded rural employment guarantee scheme, and a new urban employment programme, which includes

caregiving and building water supply, sanitation and shelter for the urban poor. Private hospitals also need to be nationalised at least for the duration of the pandemic.

All these measures no doubt rely on local administration being honest and accountable, as well as on community participation; but then this pandemic and its fallout cannot be controlled without these. The health emergency was not created by India's working people. They should not be forced to carry the burdens of the pandemic and the sudden loss of food and livelihood, unsupported by an uncaring state. These require a bold resolve, by central and state governments, to literally reach the last person, rural or urban, with the food and cash they require to survive with dignity.

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