The Case for Direct Cash Transfers to the Poor

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The total expenditure on central schemes for the poor and on the major subsidies exceeds the states' share of central taxes. These schemes are chronic bad performers due to a culture of immunity in public administration and weakened local governments. Arguing that the poor should be trusted to use these resources better than the state, a radical redirection with substantial direct transfers to individuals and complementary decentralisation to local governments is proposed. The benefits, risks and associated reinforcement of institutions and accountability are outlined.

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There are few countries where the state and the policy and intellectual community have been as committed to poverty eradication as India – both in terms of rhetoric and through a range of subsidies and an array of targeted poverty reduction programmes. In 2006-07, there were at least 151 central sector (including centrally-sponsored) schemes – hereafter collectivley referred to as CSS – entailing annual expenditures of about Rs 72,000 crore. Of this, about Rs 64,000 crore, i e, almost 90 per cent, were allocated to 30 schemes.[1] In the 2008-09 budget, these 30 schemes (now reduced to 27 due to consolidation) have been allocated nearly Rs 79,000 crore, i e, an increase of 23 per cent over two years. This is even without including other CSS that masquerade as additional central plan assistance, such as the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the Backward Region Grant Fund (BGRF).[2]

A similar amount is budgeted for food, fertiliser and fuel subsidies. An amount of Rs 32,666 crore has been allocated to the Food Corporation of India (FCI) for procuring and distributing foodgrains through the public distribution system (PDS), and Rs 30,986 crore for fertiliser subsidies (not including any fertiliser bonds that will have to be issued).[3] If we add to this the budgeted PDS expenditure on kerosene and LPG of Rs 2,700 crore and Rs 21,554 crore of oil bonds that were issued until December 2007, the total amount of these subsidies is nearly Rs 88,000 crore.

Once one adds the remaining CSS and the oil bonds for the last quarter of 2007-08, total expenditures on CSS and subsidies will comfortably exceed the Rs 1,78,765 crore that is the states' share of central tax revenue. Is this enormous expenditure through centralised mechanisms the best way of improving the welfare of India's poor and achieving India's development objectives? For instance if these budgetary trends continue, these expenditures will soon be sufficient to transfer Rs 1 crore annually to each panchayat – more than an order of magnitude of what they receive today. Might that be a better way to achieve these goals?

Deficiencies of Existing Schemes

While there is little rigorous analysis about the effectiveness of CSS and principal subsidies, there is plenty of indirect evidence that points in the direction of waste and ineffectiveness. Numerous reports and analysis attest to one incontrovertible fact: most of the resources in these programmes fail to reach their intended beneficiaries. Not only is this a reality known to policy analysts, non-government organisations and international donors who support the programmes, state functionaries who are supposed to implement and monitor these programmes are equally well informed. The government's own assessments, conducted variously by the Comptroller and Auditor General (CAG), Planning Commission and other agencies, show that the CSS have been process-driven, with little emphasis on measuring outcomes.

In 2001, a working group of the Planning Commission had stated; "Accountability in the monitoring process is very weak. The fear of adverse remarks has prevented officials from reporting poor performances. Concealment of shortcomings and manipulation of data have been resorted to, to cover poor performances. Due to concealment of weaknesses in programmes, appropriate corrective actions are not taken. Monitoring units tend to shift responsibilities for poor performances to line departments. Monitoring units and the departments furnishing data and reports are not held accountable for false pictures created by them."[4] Indeed, the prime minister himself in a recent speech reiterated, "we spend far too much money funding subsidies in the name of equity, with neither equity objectives nor efficiency objectives being met".[5]

To its credit, the 2008 budget acknowledges this reality by deciding to "put in place Central Plan Schemes Monitoring System (CPSMS)" to track and report on state-wise/district-wise expenditures, outputs, etc, for "Central Plan and Centrally-Sponsored Schemes". It is a little known fact that the budget document has never reported actual expenditure at the level of a scheme, which is available only for some CSS through various audit documents and parliamentary standing committee reports. As noted in Virmani (2007), "the connection between release of funds by the central government and the actual expenditures for physical inputs by the implementation agency, is currently very obscure". This after more than a half century of such schemes starting from community development programmes in the mid-1950s.

It is important to emphasise that most of these CSS have had good intentions and much thought has gone into their design. However, in each case only a small fraction of overall resources reaches the poor due to, in varying degrees, targeting inefficiency (inability to reach the poor), leakages (to the non-poor), participation costs (foregone earnings that are especially consequential in employment programmes) and large administrative costs. Guhan (1994) estimated that for a budgetary expenditure of Rs 100, the final transfer to the poor was just Rs 21.6 through the Maharashtra Employment Guarantee Scheme, where the poor self-selected themselves by choosing to do manual labour on public works, and a paltry Rs 11.2 under the PDS. More recently, in 2005, the Planning Commission estimated that the government spends Rs 3.65 to transfer Re 1 worth of food, suggesting leakage of about 70 per cent.[6] At a recent meeting of the National Development Council, finance minister P Chidambaram remarked, "we need a PDS for the poor, but unless it is efficient, procures adequate quantities of foodgrain and delivers food to the poor, the PDS could become an albatross around our neck and an opportunity for rent seekers to enrich themselves".[7]

For supporters of these programmes, limited resources and faulty design are the key reasons for the chronic poor performance of these programmes. Consequently, more resources and better design would result in better outcomes. Paradoxically, this logic means that the government's own assessment of ineffectiveness leads to continuous attempts to start new schemes. The current proliferation of programmes is thus in part the cumulation of, and response to, previous failures. We however believe that the principal reasons are more banal and fundamental. These are principally two, viz: (a) a deeply ingrained culture of immunity in public administration that is yoked to (b) a local public administration with weak capabilities.

Even the most blatantly egregious derelictions have no consequences in many parts of the country today, making accountability near impossible. Take the case of primary education and public health, areas where the "technology" of what to do and how to do it is relatively well known. Chaudhury et al (2006) provide evidence that on any given day, a substantial number of public teachers and health workers do not show up to work. This is despite the fact that Indian public schoolteachers are paid considerably more than their private counterparts. One consequence of this absenteeism is that despite the increase in enrolments after Sarva Siksha Abhiyan (SSA), the learning outcomes still leave much to be desired.

To add to this, all poverty interventions have to pass through the eye of the needle, viz, a local public administration that has been chronically weakened, in large part due to centralisation at the central and state levels. The accumulation of programmes further clogs this narrow passage, overburdening its limited capabilities and all but ensures further failure.

Instead of frontally addressing these deep institutional issues, we either hire more personnel who absent themselves, or search for a magic bullet, be it changes in programme design or new programmes that could solve this. When all else fails, we trot out isolated experiences in Kerala or point to the Tamil Nadu mid-day meal (MDM) scheme as examples of what is feasible. Akin to foreign aid, CSS have created significant vested interests amongst large number of civil society actors, aid agencies, multilateral organisations and academics designing and evaluating these programmes, each convinced that their project and work would finally be different from the past. Normally, because experience is a hard taskmaster, the exception should prove the rule. In our case, it appears that the exception is the rule because the appearance of moral posturing is vastly superior to worrying about prosaic realities such as repeated dismal outcomes.

Nonetheless, what is the counterfactual? Given the dismal living conditions of India's poor, it could be argued that something is better than nothing, and surely, matters would have been worse without these programmes. But that is hardly solace to the hundreds of millions of India's poor who have been incessantly promised much but received little. How can this be improved upon?

Design of Direct Transfers

Let us start with the simple arithmetic of resources. According to the *Economic Survey 2007-08*, about 27.5 per cent of India's roughly 1.13 billion people are below the poverty line (BPL), i e, about 310 million people or 70 million households. If the Rs 1,80,000 crore spent on CSS and food, fertiliser and fuel subsidies were distributed equally to all these 70 million households, it would mean a monthly transfer of over Rs 2,140 per household. This is more than the poverty line income for rural households and more than 70 per cent of the urban poverty line income.[8] Indeed, if the government simply gave eligible households the amount of money it spends on the PDS, this alone would entail a monthly transfer of more than Rs 500 to each household, i e, about 40 per cent of the entire food budget for a household at the poverty line. More pertinently, such a transfer allows them to buy the entire monthly PDS entitlement of 35 kilograms of rice or wheat, even at the relatively high current market price.[9]

It is not our contention that the entire CSS budget be transferred to BPL households, though we suspect that the outcome of such an action would be a substantial improvement in the lives of poor people. However, when the expenditure on CSS and subsidies in the name of the poor is enough to lift all poor people out of income poverty, and yet more than 300 million people remain poor, it is imperative that India undertakes a radical shift in the structure and mechanism of spending on poverty reduction programmes.

We believe that central expenditures should be redirected in principally two ways, viz: (a) First, a scheme of outright transfers to individuals.[10] (b) Second, a quantum increase in flow of funds to local governments. Another element of such re-direction worth considering is enhanced allocations to the state governments. Even without entering the broader issue of decentralisation of expenditure and tax responsibilities, there is the narrow issue of why certain expenditures, for example watershed management and roads, which account for about one-sixth of CSS expenditures, should be financed by central schemes instead of through unconditional fiscal transfers that leave the choice of intervention to decentralised authorities such as the states. While important, this is not an issue we address in this paper.

How would such a transfer scheme be implemented? Unlike the past, there are now robust technologies for making cash transfers that are reliable, transparent and monitorable. The key issues are identifying the beneficiaries and determining the amount of transfers. Identification is a significant challenge, given that cash transfer programmes will create strong incentives for people to identify themselves as poor.

Here, it is vital to realise that establishing an individual's identity is more important than establishing her eligibility. Once an individual's identity is established, ineligible beneficiaries can be removed over time as the process of verification is strengthened. A smart identification card, similar to one proposed by a working group of the Planning Commission is therefore a first step.[11] Already the poor in India have three ID cards, viz, the voter ID card, the BPL card and the National Rural Employment Guarantee Scheme (NREGS) job card. Additionally in some states, the poor will have a health insurance card under the Rashtriya Swasthya Bima Yojana (RSBY) and a PDS smart card. We seem to believe that the proliferation of poverty programmes and CSS should be matched by an equivalent profligacy in ID cards. In our view, it is imperative that this proliferation of cards be arrested and the various functionalities integrated within a single *individual biometric* card, which would be individual based as opposed to household-based.[12] Such cards, though household based, are being issued on a pilot basis under NREGS, RSBY, etc, and neither the cards nor the associated verification equipment are expensive propositions today.

In order to reduce ineligible beneficiaries, there are broadly two approaches that can be followed. First, the transfer itself could be designed to self-select needy individuals. The NREGS, which requires manual labour as a condition of payment is an example of such a self-selection mechanism. However, similar characteristics will also prevail if the transfer is in the form of specific goods, like food, instead of cash (but not if the goods are TVs). In such circumstances, the non-poor might feel socially embarrassed to utilise the benefits. However, this comes at the cost of reduced flexibility for the poor as well as with an element of social stigma that may well be undesirable. Alternatively, the poor can be selected through panchayati raj institutions (PRIs) or similar local government bodies. The current verification process of BPL beneficiaries, which is supposed to be public and transparent, provides a guide. This is our preferred choice.

It appears from the literature that transfers to women, rather than men, are more likely to increase household welfare. If so, these transfers could be made to the female members of the family. Furthermore, where feasible, they could be made through formal financial channels. There are financial inclusion initiatives that address the difficult issue of interface between poor and illiterate beneficiaries and the formal financial system.[13] Else, they could be made publicly and transparently in forums like the gram sabha. It may also be prudent to leave such decisions to the PRIs.

Risks, Benefits and Caveats

A decentralised programme does bring with it certain risks, most crucially the possibility of capture by local elites. This is especially so for cash transfer programmes which are akin to distribution of private goods that are equally valued by the poor and the elite. Consequently, it can be argued that in politically or socially polarised situations, a move to cash transfers will exclude the poor completely while the current arrangement at least ensures that they receive some benefits. This is a possibility but it is disingenuous to argue that the structure of service delivery should be hostage to such polarisation. Besides, it is difficult to predict the path of political evolution. It is likely that attempts to exclude the poor would lead to greater mobilisation around a more focused single-issue agenda and thereby mitigate these risks.

With widespread knowledge of entitlements (and this is no mean task, as various evaluations of NREGS make clear), it is likely that assertive articulation of demand will minimise the exclusion errors, i e, non-delivery of support to eligible beneficiaries. This view is supported by the major contestations about the quality of the BPL list in Bihar when a PDS coupon scheme was to be introduced. The inclusion of ineligible beneficiaries can be limited by specifying appropriate overall transfers budgets within PRIs, much as the number of BPL families is restricted today.[14]

Identification and transfer by the PRIs can also help to mitigate the problem of non-linearity of benefits. All targeted programmes have an element of non-linearity, i e, people below the cut-off receive benefits while those above do not. This is more so with private goods, such as subsidised grain under PDS and houses under Indira Awas Yojana (IAY), than it is for education and health, which have more public goods characteristics. Cash transfers accentuate this feature. However, it need not be so. For example, while a certain portion of the funds devolved to local governments and PRIs can be designated for targeted households (e g, BPL), each PRI can be given a flexible pool that it can use as per local circumstances. From this, it can either supplement transfers to targeted households, or support others which do not qualify under the uniform eligibility criteria, but who the community considers to be deserving of benefits, thus mitigating the non-linearity.

Which are the central expenditures that can be moved to direct transfers? To begin with, we offer four candidates in principle, viz, (a) PDS for food and fuel, (b) fertiliser subsidies, (c) rural housing, i e, IAY, and (d) self-employment, i e, SGSY.[15] Together, in the 2008 budget, they account for Rs 73,144 crore. What are the benefits that we perceive from such a move to direct transfers?

First, cash in the hands of the poor would expand their choices and eliminate the paternalism inherent in imposing the current set of choices. In the past, it could be argued that thin and monopolised market structures left the poor vulnerable to the depredations of the market; that fear is less real with the wider availability of goods and services in rural India.

Yes, the poor will "mis-spend" some of the money they receive. Giving them autonomy inevitably implies this. But, who does not – and will not – make mistakes? Would it be any worse than the hundreds of thousands of crores that have been spent with so little to show for it? Indian policy elites have had a deeply paternalistic attitude towards the poor and this attitude has been supported by multitudes of aid donors, a state of affairs that continues. Even if it becomes necessary for expedient purposes to make transfers in non-cash form, a portion of the transfers must be made in cash or cash-equivalents.

Second, cash would relieve financial constraints faced by the poor, many of whom turn either to usurious moneylenders or to microcredit institutions. The latter are an improvement but they provide loans, and charge high rates of interest, necessary in order to recover high servicing costs. It would also make the poor more capable of forming thrift societies and accessing credit.

Third, the administrative costs of cash transfer programmes will be much less than CSS. Cash transfer programmes have high initial fixed costs but modest subsequent annual costs. For example, the Progresa-Oportunidades programme in Mexico spent \$ 1.34 for every dollar spent on transfers to beneficiaries in its first year of operation, but these dropped to only five cents for every dollar spent on transfers by the third full year of operation. More critically, from our point of view, scarce administrative resources would be released to attend to more important public tasks, which markets are very unlikely to provide.

Fourth, by limiting and focusing the nature of accountability of public service providers, transfers offer a way of arresting the growing immunity in public administration. In itself, the cash transfer requires limited action on part of the administration, confining it to identification of beneficiaries and delivery of support since most of the decision-making is moved to the individual. The limited nature of actions simplifies monitoring, both by beneficiaries, public functionaries and civil society.

Fifth, the inherent inequity in some of the subsidies would be removed. This is particularly the case for the agricultural input subsidies such as fertiliser, where the interstate inequity is very high. Per capita agriculture input subsidies in states like Punjab, Haryana and Gujarat are a multiple of the amount in states like Assam, Bihar and Orissa.[16]

Finally, because of all the above, the clientelism, patronage and corruption that attend CSS would be reduced (it would be naïve to believe that they can be eliminated), which could have significant collateral benefits.

Is there a risk that such transfers will lead the beneficiaries to reduce their own activity and consume more leisure? While there are now many examples of cash transfer programmes, Mexico's Progresa-Oportunidades has been studied in detail. Widely spaced evaluations by Skoufias and McClafferty (2001) and Skoufias and di Maro (2006) conclude that the "programme does not have any significant effect on adult labour force participation and leisure time".

There have been a few schemes akin to direct cash transfers in the past, albeit with conditionalities. The most significant transfer programme in India – the NREGS – has many of the design features of decentralised support that we advocate. It was well targeted, since beneficiaries would be self-selected; the PRI had significant say in the choice of works and the administration and oversight of the programme and delivery of benefits was to happen in a transparent manner, through the gram sabha. Sadly (but given the history of India's poverty programmes, not unsurprisingly), many of these features have not been operationalised in the implementation phase.

Recently, Haryana and the union territory of Chandigarh have agreed to introduce a smart card based delivery system to deliver foodgrains under the PDS on a pilot basis. The RSBY, which provides BPL families with collective insurance cover up to Rs 30,000, is being launched in selected districts of Delhi, Haryana and Rajasthan. The Rajasthan government has announced that it will extend the scheme to all its districts on its own accord and give Rs 1,500 as incentive to all families covered under the health insurance scheme upon opening a bank account enabled with the smart card in the name of a female member of the family.[17] There have also been some experiments with enhanced monitoring, such as the PDS coupons in Bihar and the Jan Kerosene Pariyojana.[18] Finally, this year a small central sector pilot project, called the Conditional Cash Transfer Scheme for the Girl Child, has been launched where "cash transfer will be provided to the family of the girl child (preferably the mother) on fulfilling certain conditionalities for the girl child, viz, birth and registration of the girl child, immunisation, enrolment to school and retention in school and delaying the marriage age beyond 18 years".[19]

Decentralisation to Local Governments

Our second re-direction is for more money to local governments. Cash transfers work only with a well-functioning private distribution system, which is not present for a number of services. Well over half the current level of expenditure, i e, Rs 42,147 crore, in 11 of the top 30 CSS is on basic services relating primarily to education and health, including child development and water supply. The flagship schemes in education, SSA and MDM scheme, have seen increased enrolment but not necessarily better outcomes. For example, Jalan and Glinskaya (2005) question the extent of benefits that are attributable to the CSS. In health too, failures are rife, as documented recently in an exhaustive implementation review by the World Bank, supported by the government of India.[20]

These are functions that could be done by the local government and is their responsibility in many countries. In India, public health is constitutionally the state government's responsibility and education a concurrent responsibility and delivered largely through the district level state administration. It is our contention that it is more effective to transfer resources in a few functional block grants to local governments (including zilla panchayats).[21]

This will: (a) Reduce the burden on district administrations, which now cope with implementing more than a 100 CSS, each with idiosyncratic reporting requirements. (b) Allow local governments to, inter alia, take advantage of contextual interventions that the central government might not know about. The quality of the eventual outcome would depend on the advantages of such local information and the differential extent of resource leakage in the local implementation process as compared to the existing poorly performing centralised process. Limiting the number of programmes will reduce the current information overload about myriad schemes.

The resulting increased awareness about entitlements amongst the poor is likely to increase the mobilisation of beneficiaries.

Such decentralisation needs to be accompanied by associated institutional changes. As Levy (2006) notes, "programme operation might eventually become boring ...but it will not become less important".[22] It is important to provide the resources and capacity to deliver good operational performance to local governments, a concept that appears almost utopian at this time. Even in the case of NREGS, this element has been lacking. Of particular relevance to our argument is the CAG's observation that adequate administrative staff has not been appointed and instead overworked block development officers (BDOs) have been given additional charge.

Concomitantly, an effective system of financial accountability would need to be put in place, in addition to the political accountability that a decentralised implementation structure would hopefully engender. Here, there are myriad unresolved problems that are often purely administrative in character, but nonetheless, extremely important. Rajaraman and Sinha (2007) point out the inconsistency in recording expenditure flows across different states, especially when transfers to local governments and PRIs are involved. The restructuring of accounting classification to make these flows more transparent and comparable across entities needs to proceed concomitantly with increased devolution. Such financial transparency and comparability could also assist in fostering citizen oversight and consequently, political accountability and is therefore desirable on both counts. Further, as Levy (2006) notes, "facilitating access to budget data on all programmes and...[m]aking the evaluations of all such programmes public (or making public the lack of evaluations)" would also help improve the quality of debate and, thereby, programme performance over time.[23]

Conclusions

Besides its strong normative and practical underpinnings, our approach has one large advantage; it must be judged against the status quo, which involves a bar of performance that should be easy to surpass. Even so, governments are reluctant to leap into the unknown. One suggestion would be to start the cash transfer scheme in those districts where the current performance of CSS is especially poor and where poverty is severe. Rigorous evaluation of performance should be an inherent part of the design, and extensions of the programme can benefit from this evaluation. However, it is important that sufficient flexibility be given to the PRIs and local governments to devise their own solutions, for one PRI's nectar can be another's poison. We consider this potential discovery of alternative delivery mechanisms to be a significant source of strength for our proposal.[24]

It is perhaps wise to end on a sober note. Santiago Levy was instrumental in designing and implementing Mexico's conditional cash transfer programme, Progresa-Oportunidades, a programme that survived a historic change in political regime. In his reflective review, he points out, "if there is no clear diagnosis or objectives, a new conditional cash transfer programme may amount to nothing more than a government's response to a transient fashion in poverty programmes". Furthermore, "the lack of clarity will affect the objectives of the conditional cash transfer programme (through programme duplication and perversion of incentives), or its operations (as ministries and agencies centre their attention on their own programmes), or its sustainability (as budgetary resources are thinned out over many programmes)".[25] This is the fate that has befallen our existing CSS. It is naïve to believe that direct transfers are immune from a similar fate.

At its core, governance is not an apolitical detached technology; it is about people and their actions. It is about contestations and their resolution and is thus inherently political. Our approach seeks to bring constructive politics back into governance. This should not be lost sight of. Our approach might appear to be a radical departure from the way India has tried to reach the poor. It is. Given the modest record of the past and the grim realities of India's public administration today, we believe that nothing less will do. The stakes are simply too enormous.

NOTES

1 See Kapur and Mukhopadhyay (2007).

2 See Garg (2006).

3 The ministry for chemicals and fertilisers has reportedly demanded Rs 89,947 crore as fertiliser subsidy, instead of the budgeted amount. See Ranjan (2008).

4 See page 8 of the Report of the Working Group on Strengthening, Monitoring and Evaluation System for the Social Sector Development Schemes in the Country (Tenth Five-Year Plan), 2001. PEO Study No 183, Planning Commission available at http://planningcommission.nic.in/reports/peoreport/cmpdmpeo/volume1/183.pdf

5 Speech of the prime minister at the inauguration of the golden jubilee year of the Institute of Economic Growth, December 15, 2007 available at http://pmindia.nic.in/lspeech.asp?id=629

6 Text of intervention of finance minister P Chidambaram at the National Development Council meeting held on December 19, 2007 available at http://pib.nic.in/release/release.asp?relid=34136

7 Op cit.

8 This is calculated by taking the rural poverty line of a monthly per capita expenditure of Rs 356.30 in 2004-05 and increasing it by 25 per cent to arrive at a current monthly per capita consumption expenditure of Rs 445. This is multiplied by an average household size of 4.5 to obtain a household expenditure of Rs 2002. A similar calculation for the urban poverty line of Rs 538.60 yields a family expenditure of Rs 3,030.

9 The market price is based on the price of rice and wheat at Rs 14.3 and Rs 13.3 per kg respectively as on January 16, 2008 reported in the *Economic Survey 2007-08* (p 68).

10 For an earlier argument for direct transfers, see Kelkar (2005).

11 See 'Entitlement Reform for Empowering the Poor: The Integrated Smart Card (ISC) System', Report of the Eleventh Plan Working Group on Integrated Smart Card System, Planning Commission, January 2007, available at http://planningcommission.nic.in/aboutus/committee/wrkgrp11/wg11_smtcard.doc

12 A household is a collection of individuals that changes over time, as members grow older and leave the household. Each individual's membership of a household would be soft-coded and variable over time.

13 See Chapter 3 of the Draft Report of the High Level Committee on Financial Sector Reforms, available at http://planningcommission.nic.in/reports/genrep/report_fr.htm

14 Since the BPL list is based on non-income indicators, there is no necessary correlation with the number determined by the Planning Commission based on the NSS estimates of income poverty in that state and the restriction is therefore arbitrary. For a lucid exposition of how the two indicators differ empirically in the NSS sample households, see Jalan and Murgai (2006).

15 We do not include the fuel subsidy at this time for two reasons. First, currently it is largely funded off-budget and second, it purports to meet broader macroeconomic anti-inflation objectives by reducing the cost of transportation, etc. However, we include the budgeted subsidies on kerosene and LPG (the latter largely benefits the rich – see Gangopadhyay et al (2005)).

16 Fertiliser is particularly egregious since the subsidy is concentrated by the richer agricultural states with better irrigation, where fertiliser use is more intense, as shown, for instance, in Fan, Gulati and Thorat (2007). This tendency is present in other sectors too, as shown in Srivastava et al (2003).

17 http://finance.rajasthan.gov.in/doc/0809/pressbriefe0809.pdf

18 Singh and Jaiswal (2008) provide a reasonably positive evaluation of JKP. However, the scheme was limited to ensuring better availability with the help of better tracking and monitoring processes by the oil companies. It did not have a transfer element built into its design. Similarly, the Bihar PDS scheme was designed more to control diversion by the fair price shop owner rather than providing more options to the beneficiary.

19 See notes on Demands for Grants, 2008-2009, p 245 at http://www.indiabudget.nic.in/ub2008-09/eb/sbe104.pdf

20 See http://www.pib.nic.in/release/release.asp?relid=34546 and http://go.worldbank.org/YVLEFEQKZ0

21 In India, the "crowding-out" of existing expenditures by local governments is a limited concern since there is hardly any existing expenditure that is available to be "crowded-out".

22 Levy (2006) programme, p 149.

23 Op cit, p 148.

24 For a similar approach in a different context, see Rodrik (2007).

25 See Levy (2006), pp 146 and 149. The recently launched Conditional Cash Transfer Scheme for the Girl Child, referred to above, with a tiny allocation of Rs 10 crore can also be seen as the first sign of co-opting cash transfers within the CSS, rather than a radically different mode of service delivery.

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