



MINISTRY OF PLAN IMPLEMENTATION

EVALUATION REPORT ON THE FOOD STAMP SCHEME

FOOD AND NUTRITION POLICY PLANNING DIVISION
COLOMBO — SRI LANKA

1982

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REPORT ON
THE FOOD AND NUTRITION
SITUATION IN INDIA

FOOD AND NUTRITION DIVISION
GOVERNMENT OF INDIA

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FOREWORD

THE completion of the work on the Food Stamp Scheme is timely especially when Government is seriously considering the introduction of an income transfer scheme as an alternative to the Food Stamp Programme.

The major findings considered collectively, tends to strongly support the retention of the present form of the food subsidy. According to the survey data, food stamps have enhanced income status of the very poor segments of the population by 60 – 80% in the income groups just below the cut-off point of Rs. 300 per mensem and by over 100% in respect of the very bottom income groups. This pattern is evident throughout the 24 districts surveyed. By relating stamp value to a specific basket of food commodities the planners of this programme have built in certain nutrition considerations into the scheme.

Although the Food Stamps Programme has basically achieved its objective in attempting to reach effective food supplies to the income targeted groups, the scheme has serious implementation problems, if remedied, could contain the Government subsidy on the programme at the present levels of expenditure and perhaps improve beneficiary coverage. The Technical Committee that evaluated this programme was of the view that the present Food Stamp Scheme should be given a further trial subject to the recommendations envisaged in the concluding section of the report.

I take this opportunity to thank the Consultants and supporting staff of this Project for their conscientious and dedicated effort without which this document could not have been produced. I have to also make special mention of the assistance and co-operation extended to me by the Government Agents and the District Development Officers whose names are far too numerous to record in this report.

DR. RAJA AMERESEKERE,
Director,
Food and Nutrition Policy Planning Division.

FOREWORD

The completion of the work on the Food Stamp Scheme and the Ministry of Food and Civil Supplies is a landmark in the history of the Government of India. It is a step towards the realization of the goal of self-reliance in food and the achievement of the objective of the Food Stamp Programme.

The major findings contained collectively, tend to strongly support the retention of the present form of the Food Stamp Scheme. According to the survey data, food stamps have enhanced the status of the very poor segment of the population by 40-50% in the income bracket, and the cut-off point of Rs. 100 per annum, and by over 100% in respect of the very bottom income group. The pattern is similar throughout the 14 States included in the survey. The value of the food stamps at food consumption, the figures in the programme have been taken into account in the scheme.

Amongst the Food Stamp Programme has basically achieved its objective in attempting to provide food to the needy in the form of food stamps. The scheme has serious implementation problems. It is essential to have the Government's attention on the programme at the present stage of expenditure and to make further improvements. The Government should consider the possibility of extending the programme to the rural areas. The Government should also consider the possibility of extending the programme to the rural areas. The Government should also consider the possibility of extending the programme to the rural areas.

I like this opportunity to thank the Commission and its members for their valuable contribution and effort which has resulted in this document. It has been a pleasure to have to also make special mention of the assistance and cooperation extended to me by the Government of India and the District Development Officer, whose name is far too numerous to mention in this report.

DR. K. V. KRISHNA MURTHY

Director

Food and Nutrition Planning Division

PREFACE

A complete evaluation of the Food Stamp Programme in Sri Lanka, the first of its kind since the inception of the scheme was undertaken by the Food and Nutrition Policy Planning Division in August, 1980. The current report reviews the evaluation of the Food Stamp Scheme, its administrative mechanism, financial commitments and social overheads, programme effectiveness and implementation problems, in addition to the Food Stamp Survey data covering the entire 24 districts. The final section of the report deals with an analysis of policy options available to government and the measures recommended to upgrade both the quantitative and qualitative aspects of the scheme.

The conclusions reached in the report, though valid, could impose certain budgetary constraints to the government. However, the recommendations contained in this report become even more significant when matched against deteriorating nutritional status of the real poverty groups.

I note that the report supports several policy options based on specific nutrition and socio-economic considerations. In the context of these findings it may be desirable to undertake a financial analysis of the proposals suggested and determine the best policy combinations that could be adopted in relation to the financial resources available to the government for continuance of this programme.

I sincerely am of the view that the consultants who have worked on this assignment have done a thorough investigation, the findings of which will be invaluable for food policy planners both in Sri Lanka as well as similar countries of the region having chronically food deficit problems coupled with adverse trade deficits.

In conclusion, I wish to express my sincere thanks to the officials of the Food and Nutrition Policy Planning Division who participated in this assignment and those officials from the Ministry of Finance & Planning, Food Commissioner's Department, Co-operative Development Department, Central Bank Economic Research Division and the Medical Research Institute for their respective contributions towards the project.

His Excellency the President has directed that this Report be further discussed with the senior officials of all concerned ministries including the Ministry of Food and Co-operatives which presently operates the Food Stamp Scheme.

DR. W. S. WEERASOORIA,
Secretary,
Ministry of Plan Implementation.

PREFACE

A committee (headed by the Food Stamp Administrator, Mr. [Name]) was appointed in 1961 to study the problem of the food stamp program. The committee's report was published in 1962 and is available in the report of the Food Stamp Administration. The committee's report was published in 1962 and is available in the report of the Food Stamp Administration. The committee's report was published in 1962 and is available in the report of the Food Stamp Administration.

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CHAPTER 1

FOOD SUBSIDIES AS A POLICY INSTRUMENT

THE policies of the government of Sri Lanka have always reflected a high degree of concern for the general well-being of the population and efforts have been made consistently directly or indirectly to help the poor and the underprivileged. The food subsidy policy formed one of the major elements of Sri Lanka's welfare-oriented strategy, the effects of which were reflected in a fairly adequate caloric intake, a relatively low degree of malnutrition, a remarkable decline in death rate and a progressive increase in the average life-expectancy, during the period of the country's Independence.

For a long period of time, the generous food subsidy-policy in Sri Lanka has been applied universally. The fact that the majority of the country's population were non-income tax payers and hence were generally regarded as "poor" might have been one reason for this. In such a context, the selection of eligible beneficiaries might have appeared an unfruitful, meaningless as well as an administratively cumbersome exercise. Furthermore, given the relatively low international prices of food grains, particularly of rice, such a comprehensive food subsidy did not appear as an unbearable fiscal burden to the government. Hence, a mix of social, political and economic factors tended to promote the continuance of the policy until recent times.

As the population grew rapidly and world-price of rice rose exorbitantly the built-in tendency of the universal free, rice-subsidy scheme of Sri Lanka continued to generate excessive pressure on the government budget—accounting for 20 per cent, or one-fifth of the government current expenditure. The question of disincentives to the rice producers resulting from the manipulation of rice prices through the subsidy scheme also emerged as a relevant issue in the context of re-aligning the country's food-subsidy policy. Given a stagnating economic growth-rate and a significantly high unemployment-rate in the late nineteen seventies, Sri Lanka was confronted with the vital need to strike an appropriate balance between welfare programmes and productive investments.

The policy of providing subsidized food-commodities to the population, as a whole, underwent a significant change in 1972, when an income criterion was introduced to determine eligibility to benefit from the policy. Accordingly, the decision to withdraw the issue of the free rice-ration from income-tax payers and their dependents affected, approximately, 10 per cent of the country's population. In 1978, however, a significant reduction in the number of beneficiaries was effected by limiting the free-food ration to such families whose income fell below a particular out-off point. This exercise resulted in continuing the food-subsidy to only fifty per cent of the total population who were identified as the "poor".

A substantial modification of the nature of the food subsidy programme was introduced by the Food Stamp Scheme of late 1979. The major fiscal advantage of the Food Stamp Scheme is that the size of the entitlements is set in nominal (i.e rupee) terms so that, unlike in the case of a commodity specific subsidy where the quantum of the commodity is fixed, it is easier to control the budgetary costs. However, the Food Stamp Scheme is disadvantageous to the beneficiaries as the real value of this income supplement gets eroded with rising food prices, unless a deliberate decision is taken to devise a mechanism such as indexing or periodic updating of the food stamp values, to off-set the effect of inflation.

It must be noted that with the introduction of the Food Stamp Scheme the prevailing prices of imported rice, sugar and flour were permitted to reflect the actual import costs and the world market trends. This step, however could also be interpreted as an essential ingredient in a production-oriented strategy whereby the internal terms of trade could be shifted in favour of agricultural production. However, the impact of higher prices on the urban working class, the consequence of which make it quite difficult to keep the wages unadjusted, need to be borne in mind in assessing the efficacy of such a policy. A well-conceived food-subsidy policy should aim at keeping the staple food prices at a tolerable level while maintaining a reasonably good price-structure as an incentive to the producer. In other words, any rationalisation of the food policy should not be at the expense of the nutritional status of the poverty stricken groups of the country's population.

It is in this context that one senses the urgency and importance of devising a means of pruning down the government expenditures on food subsidies without drastically reducing the benefits to the poor. Recent surveys indicate that the nutritional and health status of the lower socio-economic groups have deteriorated in several districts of the country. In an inflationary situation, particularly when the price increases in food items tend to be both high and frequent, the low and fixed income groups strive to get by, through consumption-adjustments pertaining to quantity, as well as quality, of food intake. The curtailment of real expenditure on food and health-related items could worsen the nutritional status of such groups. This situation tends to call for food-based assistance rather than nominal monetary help. In other words, a properly administered food-subsidy programme represents the most meaningful mode of nutrition improvement.

The introduction of the food-stamp may be viewed as a form of cash transfer to low income groups, as opposed to direct food-subsidy, particularly because the food stamps can be converted into savings deposits, if the beneficiaries so desire. To benefit from a commodity-specific subsidy the consumer must purchase the subsidized item, whereas the food stamps allow the flexibility of choosing from a given range of commodities as well as using the stamps as "cash" (through a savings deposit scheme) to purchase items outside the scheme. In other words, a cash transfer programme or food-stamps scheme, enables the consumer to make purchases in accordance with his or her income elasticities of demand. Yet, if the consumption pattern of the consumer reflects the predominance of a single (specific) commodity, the provision for the exercise of choice over a range of items would be reduced to a mere theoretical possibility. Furthermore from a nutritional viewpoint, it might be more desirable to relate the food subsidy to a specific commodity (or commodities) rather than to allow for the exercise of a choice. The consumer's preference would not always be guided by the nutritive value of the food; hence the allowance for the exercise of a choice from a range of commodities may run counter to the nutritional objective of the scheme. This is not to deny the reasons favouring the offering of a range of commodities under a food subsidy scheme. For example, the latter method enables a consumer to substitute a freely available or cheap food item for one that may be scarce or relatively more expensive. Also one may include in the basket of subsidized commodities, cheap but nutritious foods that are not prized by the rich, in an attempt to induce the lower income groups to seize the advantage.

However, to the extent that malnutrition is caused by inadequate consumption of food and also to the extent that low intake of food is due to an insufficient level of income, a food-subsidy scheme, whether it may be a food ration, or a food stamp scheme ought to contribute to the improvement of the nutritional standard of a country. As nutritional status tends to influence other human attributes such as intelligence, physical size and strength, health and resistance to disease, there appears to be some hope for reducing the government expenditure, at least in the long run, on areas such as medical care disease control and family planning consequent to the nutritional effects of an effective food-subsidy programme. Such positive externalities and resource savings should partially offset the amounts spent on food subsidies.

CHAPTER II

PROGRAMME ADMINISTRATION, COSTS AND IMPLEMENTATION PROBLEMS

1. Introduction

The ration scheme, together with a subsidy on rice, were initially introduced to deal with food shortages which occurred during the war. The Department of Food Supply was created in 1942 and soon extended its activities to the purchase and distribution of other commodities such as wheat-flour, sugar, curry stuffs and milk food. Rice was considered to have the greatest impact on the cost of living and the loss from the sale of rice was to be compensated by surpluses on the sale of flour and sugar.

In fact, the annual net food-subsidy remained well below Rs. 100 million up to 1956/57 (except for three years during the Korean boom when the quantities distributed had to be reduced). As the price of imported rice increased, population growth accelerated, and the profits derived from the sale of other commodities remained fairly stable, the annual net food-subsidy climbed steadily to over Rs. 200 million in the sixties. In the late sixties, profits on flour turned to subsidies and in the mid seventies, profits on sugar turned to subsidies (Table 2.1). Despite a reduction in the quantities issued on the ration, all persons continued to be eligible and the net food-subsidy which accounted for 8% of total government expenditure and 2% of GNP in 1966/67, rose to 9% and 3% respectively, in 1969/70, 17% and 6% respectively, in 1975, and stood at 16% and 5% respectively in 1977.

TABLE 2.1

Subsidies on the Food Ration and on Food and Kerosene Stamps (Rs. Million)

Year	Rice	Flour	Sugar	Others	Net Subsidies	Food Stamps	Kerosene Stamps	Total Subsidies & Stamps	Total as a % of total Govt. Exp.	Total as a % of GNP of Market price
1966/67	445.3	- 22.1	- 224.8	3.6	202.0	-	-	202.0	8	2
1967/68	548.9	- 24.0	- 239.5	10.9	296.3	-	-	296.3	10	3
1968/69	582.0	- 11.2	- 254.6	12.6	328.8	-	-	328.8	10	3
1969/70	532.4	3.6	- 221.1	12.5	327.4	-	-	327.4	9	3
1970/71 (a)	586.2	10.4	- 64.0	1.9	534.5	-	-	534.5	14	5
1971/72	526.5	22.6	- 47.1	33.2	525.2	-	-	525.2	10	4
1972/73	564.0	111.0	- 21.8	24.0	677.2	-	-	677.2	13	4
1974	745.1	148.1	26.5	30.8	950.5	-	-	950.5	16	5
1975	785.5	218.0	215.0	11.9	1230.4	-	-	1230.4	17	6
1976	679.3	52.0	165.1	41.2	937.6	-	-	937.6	11	4
1977	943.0	363.6	70.0	47.5	1424.1	-	-	1424.1	16	5
1978	1066.1	1027.9	-	68.7	2162.7	-	-	2162.7	12	5
1979	1215.6	894.1	138.6	77.7	2326.0	508.0	59.3	2893.3	14	6
1980	-	-	-	105.0	105.0	1595.0	182.0	1782.0	7	3
Revised Estimates 1981	-	-	-	125.0	125.0	1510.0	177.0	1812.0	7	2

(a) 4/5th of expenditures during the fiscal year of 15 months - 1st October, 1971 to 31st December, 1972.

Source : Central Bank Reports. World Bank Report, 1975 onwards.

In order to ease the burden on the budget and confine food subsidies to those who really needed them, the ration scheme was restricted from 1st January, 1978, to those households earning less than Rs. 3,600 a year. Ration books were revalidated on the basis of income. In June, 1979, when the final revalidation figures were submitted, there were 7.72 million persons claiming to be earning Rs. 3,600 or less a year. This new scheme entitled households to receive, weekly, 1 lb. of free rice and 3 lbs. of paid rice, at a subsidised rate of Re. 1 per lb. Sugar was also distributed to children and infants, at subsidised rates of 72 cts. per lb., at a maximum quantity of 1 1/2 lbs. per month.

The new Rice Ration Scheme was only the first step in introducing the Food Stamp Scheme. In August 1979, wide publicity was given to the Food Scheme and applicants earning Rs. 3,600 per annum or less were asked to come forward and fill-in the forms provided through Co-operatives and other authorised distributors. At the divisional level, the infrastructure for processing the forms consisted of the Grama Sevakas who were required to make a thorough investigation of each application, and the Assistant Government Agents who were also the Assistant Food Controllers. The latter were required to approve the report submitted by the Grama Sevaka on each application. The Government Agents who were also the Deputy Food Commissioners at the district level were delegated the function of supervision for selection of beneficiaries and implementation of the Food Stamp Scheme. The operation of the Food Stamp Scheme commenced on 1st September, 1979. This gave very little time for the authorities concerned to screen the applicants effectively. Hence, for the first issue, all those who had revalidated ration books and who had applied for the food stamps obtain the stamps. It was only by the third issue of Food Stamps that the authorities were able to finalise the actual number of recipients.

2. The Food Stamp Scheme

Food Stamps were issued to households to enable them to purchase one or any one of a basket of commodities. The commodities consisted of rice, paddy, flour, bread, sugar, locally produced pulses, Lakspray, Vitamilk, Perakum condensed milk, dried fish and kerosene.

2.1 Eligibility

Eligibility for the scheme was based on total household income. Those households consisting of five or less members receiving an income of Rs. 300 or less per month were eligible to possess food stamps. The income criteria did not take into account the income support allowance of Rs. 50 that was given to unemployed persons at that time. Where family size was larger than five the maximum of the Rs. 300 which was allowed for computing eligibility was raised by another Rs. 60 per additional person but, the number of beneficiaries varied according to the family size as shown in Table 2.2. For example, if in a family of six, the total monthly income was Rs. 350 only one member of the household will be eligible for food stamps. (Table 2.2).

TABLE 2.2
Ready Reckoner Table to Determine Eligibility to Posses Food Stamp Cards

Number of Members in the households	5	6	7	8	9	10	11	12	13
Level of household income per year :	Number eligible to possess food stamp cards								
Rs. 3,600 or less	Up to 5	6	7	8	9	10	11	12	13
Rs. 3,601 to Rs. 4,320	None	1	2	3	4	5	6	7	8
Rs. 4,321 to Rs. 5,040	None	None	1	2	3	4	5	6	7
Rs. 5,041 to Rs. 5,760	None	None	None	1	2	3	4	5	6
Rs. 5,761 to Rs. 6,480	None	None	None	None	1	2	3	4	5
Rs. 6,481 to Rs. 7,200	None	None	None	None	None	1	2	3	4
Rs. 7,201 to Rs. 7,920	None	None	None	None	None	None	1	2	3
Rs. 7,921 to Rs. 8,640	None	None	None	None	None	None	None	1	2
Rs. 8,641 to Rs. 9,000	None	None	None	None	None	None	None	None	1

The eligibility requirements extended to the nuclear family only. It did not include the joint family as a household. The value of the food stamps distributed to each household depended on the age-composition of each member of the household. Children, below the age of 8 were given Rs. 25 worth of food stamps per month. Children, over 8 and below 12 were given Rs. 20 worth of food stamps and those over 12 were given Rs. 15 worth of food stamps per month in September, 1979, Rs. 15 would have purchased 8 lbs. of rice and 2 1/2 lbs. of flour. For children under 12 years of age the additional Rs. 5 would have purchased almost two pounds of sugar. For children under 8 years the additional Rs. 10 would have purchased half a pound of sugar and one pound of Lakspray. (Table 2.3).

TABLE 2.3
Decline in Purchasing Power of Food and Kerosene Stamps 1979 - 1981

Quantity (per month)	Sept. 1979		July 1981	
	Price Rs.	Cost (Rs.)	Price Rs.	Cost (Rs.)
8 lbs. rice	1.50 per lb.	12.00	3.00 per lb.	24.00
2 1/2 lbs. flour	1.30 per lb.	3.25	2.75 per lb.	6.88
Total (adult stamps)		15.25		30.88
Rice and flour as above		15.25		30.88
2 lbs. sugar	3.00 per lb.	6.00	8.25 per lb.	16.50
Total (stamp for children) 8-12 years		21.25		47.38
Rice and flour as above		15.25		30.88
1/2 lb. sugar	3.00 per lb.	1.50	8.25 per lb.	4.12
1 lb. Lakspray	8.50 per lb.	8.50	15.00 per lb.	15.00
Total (stamp for children) under 8 years		25.25		50.00
7 Bottles Kerosene	10.58 per gal. (8 bottles)	9.26	17.65 per gl. (8 bottles)	15.44

A particular feature of the food stamp scheme was the inclusion of stamps for the purchase of kerosene in order to facilitate its procurement. Each individual family eligible for food stamps also received kerosene stamps worth Rs. 9.50 per month. Kerosene Stamps could be converted to food stamps but not vice-versa. In September 1979, the Kerosene Stamp was sufficient for the purchase of 7 bottles of kerosene and was issued to 1.56 million households. By the third issue the number had increased to 1.57 million and by the 5th issue to 1.60 million (Table 2.4).

TABLE 2.4
Number of Kerosene Stamps issued by District

District	1st Issue 01.10.79	2nd Issue 01.12.79	3rd Issue 07.03.80	4th Issue 01.06.80	5th Issue 01.09.80	6th Issue 01.12.80
Colombo	104,654	103,816	112,420	106,780	105,906	104,788
Kalutara	100,205	89,613	91,962	92,189	91,374	90,604
Kandy	113,511	111,572	117,944	118,454	118,990	117,915
Matale	42,162	45,288	45,332	45,354	45,255	44,997
Nuwara Eliya	28,398	27,805	27,311	26,998	26,949	26,896
Galle	101,271	98,759	97,793	96,809	96,127	96,245
Matara	78,030	79,958	80,848	80,451	80,241	79,983
Hambantota	48,823	51,226	51,315	50,859	51,205	51,166
Jaffna	107,573	111,155	101,607	107,130	108,877	109,066
Mannar	10,939	10,250	11,333	11,667	11,896	12,024
Vavuniya	8,205	9,744	11,676	11,913	11,974	12,107
Mullaitivu	5,557	6,315	7,243	7,853	7,800	7,849
Batticaloa	42,863	45,630	47,452	46,329	46,812	46,924
Ampara	37,653	40,824	42,111	42,814	42,307	42,413
Trincomalee	21,608	25,071	25,171	25,596	25,757	25,855
Kurunegala	166,159	167,879	172,000	171,226	173,102	172,020
Puttalam	66,091	71,739	75,000	71,747	73,009	72,276
Anuradhapura	45,576	43,995	49,853	49,507	51,809	53,686
Polonnaruwa	22,798	25,990	22,756	24,685	24,723	24,736
Badulla	45,855	49,891	51,869	51,138	50,708	50,956
Moneragala	30,624	32,032	31,686	32,103	32,347	32,334
Ratnapura	95,510	88,521	92,818	90,582	92,819	91,911
Kegalla	81,612	79,046	81,058	80,709	80,070	79,536
Gampaha	150,401	154,832	147,223	149,294	147,325	145,845
SRI LANKA	1,558,088	1,566,962	1,595,784	1,591,787	1,596,782	1,592,132

2.2 Issues

Food and Kerosene Stamps were issued every three months except for the sixth issue which was issued for six months. The main reason for initially issuing stamps every three months was to ensure effective screening of the applicants. This also gave households hitherto unidentified a chance to be included in the scheme. However, from 1st March, 1980, due to the increase at each issue of the number of persons given stamps, Government directed that no new applications should be entertained. At the first issue the total number participating in the food stamp scheme was 7.26 million; but by the sixth issue the number had increased to 7.42 million despite the Government directive. (Table 2.5).

TABLE 2.5

Number of Food Stamps Issued by District

District	1st Issue 01.10.79	2nd Issue 01.12.79	3rd Issue 01.03.80	4th Issue 01.06.80	5th Issue 01.09.81	6th Issue 01.12.80	Population 1981 Census	Sixth Issue as % of 1981 Population
Colombo	481,628	459,310	483,032	462,639	456,544	447,679	1,701,144	26.3
Kalutara	440,157	386,157	406,947	401,838	401,346	402,231	827,889	48.6
Kandy	563,689	540,455	583,659	585,781	592,165	588,291	1,128,799	52.1
Matale	195,936	213,063	212,432	221,861	221,544	220,195	358,397	61.4
Nuwara Eliya	116,387	109,863	111,560	109,050	108,826	108,670	525,895	20.7
Galle	488,881	477,932	466,287	462,149	460,175	459,435	814,475	56.4
Matara	410,706	397,813	402,998	401,463	399,983	397,561	644,684	61.7
Hambantota	261,857	266,821	273,833	274,102	274,967	274,924	423,135	65.0
Jaffna	479,000	493,158	435,443	459,220	468,017	479,540	851,020	57.7
Mannar	46,549	43,851	49,613	51,856	53,756	54,716	106,205	51.5
Vavuniya	34,431	42,573	52,683	54,562	55,565	57,062	95,794	59.6
Mullaitivu	22,051	27,609	30,378	33,194	34,114	34,605	77,512	44.6
Batticaloa	198,289	197,726	206,095	199,769	202,137	202,139	330,714	61.1
Ampara	193,707	199,752	206,330	209,762	209,990	209,414	388,907	53.8
Trincomalee	99,750	109,270	117,963	119,511	119,999	120,477	256,735	46.9
Kurunegala	763,330	772,918	795,723	792,186	800,829	795,030	1,210,524	65.7
Puttalam	294,357	343,000	321,417	324,897	328,144	326,574	493,189	66.2
Anuradhapura	201,190	192,306	223,603	230,339	244,897	247,087	587,790	42.0
Polonnaruwa	96,046	101,272	101,907	111,626	112,292	112,424	266,112	42.2
Badulla	211,071	228,476	246,206	243,306	241,064	242,911	641,797	37.8
Moneragala	157,297	175,982	176,068	180,273	183,921	185,275	274,289	67.6
Ratnapura	458,669	447,138	430,633	425,436	434,278	425,819	798,004	53.4
Kegalla	400,536	380,194	389,721	388,353	387,325	385,145	685,743	56.2
Gampaha	641,915	671,472	646,592	657,374	649,063	643,129	1,390,542	46.3
Total	7,257,425	7,277,996	7,380,143	7,400,547	7,440,941	7,420,343	14,859,295	50.0

Large fluctuations have been observed in the stamp allocations at every issue in each district. (Table 2.5). Some districts such as Kurunegala, Matale, Matara, Hambantota, Batticaloa and Moneragala also have high proportions of their population getting food stamps. Increases in the number of stamps issued after the third issue have occurred in Jaffna, Mannar, Vavuniya, Mullaitivu, Trincomalee, Anuradhapura, Polonnaruwa and Moneragala, while Kandy, Ampara and Puttalam districts show increases in food stamps from the third issue up to the fifth issue only. The numbers of stamps tends to decrease at the sixth issue. Colombo, Matale, Nuwara Eliya, Galle, Matara, Batticaloa, Badulla and Kegalla show a decline in stamp numbers after the third issue which may be due to the elimination of individuals in the screening process. Gampaha and Ratnapura districts show a decline in stamp numbers only in respect of the third and sixth issues. Increases in the total stamp numbers in a district receiving food stamps are, however, not justified especially after the third issue.

Food Stamps were issued in respect of three broad age groups, viz. persons over 12 years of age (Table 2.6), children between 8 and 12 years of age (Table 2.7), and also to children below 8 years (Table 2.8). The largest number of food stamps are provided to those over 12 years. The second largest number of food stamps accrue to those who are below 8 years of age.

TABLE 2.6
Number of Food Stamps Issued to over 12 Year Age Group by District

District	1st Issue 01.10.79	2nd Issue 01.12.79	3rd Issue 01.03.80	4th Issue 01.06.80	5th Issue 01.09.80	6th Issue 01.12.80
Colombo	346,522	330,484	345,029	332,019	327,924	325,988
Kalutara	322,288	279,066	292,961	291,367	294,409	296,439
Kandy	401,122	371,835	406,333	410,007	415,258	414,825
Matale	135,722	146,305	151,545	153,690	155,020	155,148
Nuwara Eliya	78,461	72,688	74,538	75,277	75,620	75,877
Galle	351,050	341,325	332,864	331,186	331,854	334,249
Matara	294,078	279,633	284,449	285,300	286,264	286,863
Hambantota	177,818	179,577	182,640	184,130	185,993	187,800
Jaffna	334,975	342,686	296,513	316,333	324,959	338,021
Mannar	30,022	27,614	31,119	32,493	33,849	34,573
Vavuniya	21,511	25,741	32,355	33,346	33,908	34,495
Mullaitivu	13,701	17,289	18,620	19,630	20,205	20,440
Batticaloa	129,277	123,690	127,200	123,958	125,739	126,394
Ampara	116,519	52,608	125,596	126,833	127,638	128,636
Trincomalee	62,754	66,517	71,409	72,316	72,691	73,080
Kurunegala	546,479	545,048	559,341	561,099	571,415	571,856
Puttalam	194,437	222,000	210,566	218,795	224,084	224,514
Anuradhapura	124,107	119,109	125,355	140,215	148,168	148,694
Polonnaruwa	60,019	60,682	60,195	66,368	56,945	67,512
Badulla	141,320	151,110	155,945	158,974	158,094	159,036
Moneragala	105,276	111,771	111,679	114,985	117,322	118,728
Ratnapura	326,109	314,575	297,378	295,505	302,731	296,034
Kegalla	297,320	277,484	285,620	286,537	286,402	287,444
Gampaha	469,131	489,851	474,288	484,366	480,393	478,235
SRI LANKA	5,080,018	4,948,688	5,053,538	5,114,729	5,166,925	5,184,399

TABLE 2.7
Number of Food Stamps issued to 8 - 12 Year Age Group by District

District	1st Issue 01.10.79	2nd Issue 01.12.79	3rd Issue 01.03.80	4th Issue 01.06.80	5th Issue 01.09.80	6th Issue 01.12.80
Colombo	56,502	50,723	51,405	50,054	30,280	48,795
Kalutara	42,218	35,963	38,274	37,660	37,545	37,902
Kandy	66,690	59,820	62,854	62,072	62,332	61,337
Matale	23,852	24,776	24,367	23,922	23,634	23,444
Nuwara Eliya	15,063	13,380	12,561	11,994	11,900	11,952
Galle	51,125	49,874	46,821	46,466	46,586	46,122
Matara	43,922	40,538	40,243	40,331	40,112	40,281
Hambantota	31,686	30,108	30,157	30,119	30,020	30,342
Jaffna	49,967	50,579	45,071	46,512	47,107	47,389
Mannar	5,782	5,216	5,713	6,093	6,235	6,413
Vavuniya	4,638	5,143	6,254	6,446	6,532	6,636
Mullaitivu	2,789	3,276	3,767	4,223	3,893	3,923
Batticaloa	27,342	25,804	26,050	24,930	25,134	25,324
Amparai	26,609	25,305	25,935	26,072	26,013	26,482
Trincomalee	13,490	15,106	15,076	14,967	15,043	15,204
Kurunegala	83,370	81,030	81,202	78,807	79,265	78,396
Puttalam	34,769	45,000	36,465	33,897	33,893	33,486
Anuradhapura	26,321	25,411	27,034	28,474	28,502	29,432
Polonnaruwa	13,370	13,250	12,498	13,924	13,991	14,095
Badulla	30,037	31,128	30,887	30,624	30,330	30,561
Moneragala	21,279	26,830	20,712	20,823	20,886	20,119
Ratnapura	51,727	49,335	46,290	45,190	45,154	44,994
Kegalla	42,511	37,850	37,884	36,905	36,231	35,798
Gampaha	66,407	67,256	60,500	61,048	60,192	59,632
SRI LANKA	831,466	812,710	788,020	781,553	780,810	778,059

TABLE 2.8

Number of Food Stamps issued to Under 8 Year Age Group by District

District	1st Issue 01.10.79	2nd Issue 01.12.79	3rd Issue 01.03.80	4th Issue 01.06.80	5th Issue 01.09.80	6th Issue 01.12.80
Colombo	78,604	78,103	86,648	80,566	78,340	72,896
Kalutara	75,651	71,010	75,712	72,811	69,392	67,900
Kandy	95,877	108,803	114,472	113,702	114,575	112,129
Matale	36,362	41,982	45,520	44,249	42,890	41,603
Nuwara Eliya	22,863	23,759	24,481	21,779	21,306	20,841
Galle	86,706	86,733	86,602	84,497	81,735	79,064
Matara	72,706	77,642	78,306	75,832	73,607	70,417
Hambantota	52,353	57,136	61,036	59,853	58,954	56,782
Jaffna	94,058	99,893	93,859	96,375	95,951	94,130
Mannar	10,745	11,020	12,781	13,270	13,672	13,730
Vavuniya	8,282	11,689	14,074	14,770	15,125	15,931
Mullaitivu	5,561	7,044	7,991	9,341	9,976	10,242
Batticaloa	41,670	48,232	52,845	50,881	51,264	50,421
Amparai	50,579	121,839	54,799	56,857	56,339	54,296
Tincomalee	23,506	27,647	31,478	32,228	32,265	32,193
Kurunegala	133,481	146,840	155,180	152,280	150,149	144,778
Puttalam	65,151	76,000	74,386	72,205	70,167	68,514
Anuradhapura	50,762	47,786	71,214	61,650	68,227	68,961
Polonnaruwa	22,657	27,332	29,214	31,334	31,356	30,817
Badulla	39,714	46,238	59,374	53,708	52,640	53,314
Moneragala	30,742	37,381	43,677	44,465	45,715	46,428
Ratnapura	80,833	83,228	861,965	84,741	86,393	84,791
Kegalla	60,705	64,860	66,217	64,911	64,692	61,903
Gampaha	106,377	114,365	111,804	111,960	108,478	105,244
SRI LANKA	1,345,945	1,516,598	1,538,635	1,504,265	1,493,206	1,457,325

There is a steady increase in the issue of food stamps to adults over 12 years throughout the issues. For those between 8 – 12 years of age and below eight years of age, especially after the fourth issue, there is a decline in the number of food stamps issued. There is a marked decrease in the number of food stamps issued to those under 8 years, especially after the fourth issue in many of the districts. This decline is not reflected in a proportionate increase in food stamps for those between 8 and 12 years. For example, in the Matara district for the under 8 group, between the fifth and sixth issue, there is a decrease in the number of food stamps issued by nearly 37,000. However, the increase in food stamps for those between 8 – 12 years is only about 150, although a decrease in food stamps of such magnitude in the under 8 age group should be reflected in a significant increase of stamps in this age group. Similar discrepancies occur in the figures for the Hambantota, Puttalam and Colombo districts. This could be due to several reasons – either those children were not initially eligible for the scheme and were eliminated on screening, or there was migration between the districts. In general the pattern of issue of kerosene stamps has followed that of food stamps. The increase / decrease in the number of kerosene stamps issued is very much smaller than the increase / decrease in the issue of food stamps in the same district.

2.3 Operational Aspects

Food Stamps holders are eligible to purchase any of the commodities under the Food Stamp Scheme from a Co-operative branch depot or a private authorised distributor. In the case of bread and kerosene which may not be available with a Co-operative branch or private authorised dealer alternative arrangements may be made. Bakeries may obtain their flour requirements from Multi-purpose Co-operative Societies (MPCS). No seller of bread can refuse food stamps in part or full payment for bread. These food stamps in turn can be used by the bakery or any other institution to purchase flour from the MPCS.

Kerosene stamps may also be used to purchase kerosene from private authorised dealers or Co-operatives. In cases where the stamp holder does not wish to purchase kerosene he may use it to purchase any other commodity coming under the food stamp basket of commodities. The Petroleum Corporation has authorised its agents to supply kerosene on the surrender of kerosene stamps by any kerosene dealer including Co-operative branch depots and private authorised distributors, in full or part payment, for kerosene supplied.

Food Stamps with the consumers are valid only for one month. In the hands of the retail distributor the food stamps are valid for the months, so that they may have time to obtain reimbursements from the wholesale dealers, MPCs, etc. The wholesale dealers, in their turn, have three months in which to obtain their reimbursements from the Treasury.

In the districts, the wholesale dealers may obtain the reimbursements from the Assistant Food Commissioner's Office. Food Stamps are accepted as full or part payment from the MPCs for the supplies of rice, paddy, flour and sugar by the Food Department. Similarly kerosene stamps will be accepted as full or part payment by the Petroleum Corporation for the supply of kerosene. If kerosene stamps have been used to purchase food items, the Food Commissioner can recover the value of such stamps from the Treasury. The National Savings Bank can claim reimbursement on account of invalidated stamps that consumers have deposited in the Bank by submitting a monthly or quarterly statement of such stamps to the Treasury.

2.4 Costs

The overhead costs incurred in the administration of the scheme have been estimated by the Food Commissioner's Department to be Rs. 1.05 for each food stamp issued. These overhead costs are divided almost equally between the operations of writing the stamps, distributing them, paying for the overtime, travelling and subsistence of officers, fuel costs, employment of casual clerks, payments to Grama Sevakas, stationery and destruction of used stamps. The Head Office of the Food Commissioner is responsible for the printing, import cost of paper and security. The average overhead cost of issuing food stamps is Rs. 9.3 million per issue. For all six issues the overhead cost was Rs. 56.4 million.

For the last quarter of 1979 total Government expenditure on food stamps came to Rs. 508 million. In 1980 and 1981, Rs. 1,595 and Rs. 1,510 million, respectively, were allocated. Kerosene stamps represented transfers of Rs. 59 million in 1979, Rs. 182 million in 1980 and Rs. 117 million in 1981. Taken together, the subsidy on milk foods, food and kerosene stamps represented 14% of Government expenditure and 6% of GNP in 1979. By 1981 the percentages had declined to 7% and 2% respectively (Table 2.1). The original estimates for 1980 of Rs. 1,050 million and Rs. 150 million for food and kerosene stamps respectively, were revised upward to accommodate the increasing number of recipients in 1980. The slight decline in numbers in the last issue and the reduction in the frequency of issues (from 3 monthly to 6 monthly) may result in a reduction in cost as estimated for 1981.

3. Programme Deficiencies and Implementation Problems

The choice of household income as the criterion of eligibility and the distribution of stamps according to Table 2.2 discriminates against poor households with large families. Households with exactly the same per capita income i.e. Rs. 62 – 65 get a number of stamps equal to their household size if their monthly income is below Rs. 300; if their household and family size is larger than 5, they get only one stamp for each additional Rs. 60 monthly income; similarly for other income groups. If we accept that poverty and malnutrition are associated with per capita purchasing power, the use of

household income is a bad choice. Especially so in Sri Lanka where the poorer households, when ranked according to per capita income or expenditure have larger family size¹. The sharp decrease in per capita benefits to households exceeding the Rs. 300 p.m. level may also have been a factor in the large scale under reporting of income which has occurred.

In fact the number presently receiving food stamps is far in excess of the estimated number in households with incomes less than Rs. 300 per month. About a quarter of those who reported occupations were farmers and slightly over half were labourers (Table 2.9). The concentration of food stamp holders in agriculture has aggravated the problems of assessing income with the obvious difficulties of estimating income in kind and the cash crop income of small farmers. Although the Grama Sevaka is supposed to know all those in his area well enough to assess their income, in many instances he may be a new appointee or subject to local pressures. At higher levels there has been no real check on the validity of the incomes reported. In some districts panels of representatives from existing rural institutions were used and in most instances these panels were useful ; but they were also subject to abuses and are largely defunct now. There is no mechanism for monitoring income changes on a continuous basis.

TABLE 2.9

Occupation and Income Earning Assets of Food Stamp Recipients

1. *Occupational Distribution*

	<i>Persons</i>	<i>Percentage</i>
Professional	52	4.2
(monks, priests)	(38)	(3.1)
Managers	0	0.0
Clerical	7	0.6
Sales workers	40	3.2
Services	31	2.5
Farmers	337	27.3
Production workers	80	6.5
Craft workers	19	1.5
Other Labourers	669	54.2

2. *Agricultural land, Households*

Total	381	29
1.0 acre	193	14
1 – 1.5 acre	76	6
1.5 acre	112	9

3. *Households with selected crops*

Paddy	139	11
Mixed	130	10
Coconut	85	6

Source : 0.1% sample survey of declarations made by Food Stamp Recipients conducted by Ministries of Finance & Planning & Plan Implementation.

The Central Bank Consumer Finance Survey 1978/79 indicates that only about 2.1 million persons or 14% of the population were in about 632,000 households earning less than Rs. 400 per month in 1979. However there was a further 30% of the population clustered close to this cut-off point with incomes ranging from Rs. 400 – 700 per month. Given the initial difficulty of assessing incomes accurately and the lack of a mechanism to include or exclude those whose incomes change, this entire group may have been included in the scheme through under estimating their income by about half.

¹ M. Selowsky "Food Price" and the indexing of the Food Stamp Programme in Sri Lanka : An Evaluation of the Trade-offs " World Bank, April 1980.

The relatively large number clustered near the cut-off point however suggests that all these people are in the same basic poverty set and are not substantially better off than those qualifying strictly under the scheme. A survey of 186 mothers attending the Lady Ridgeway Hospital with severely malnourished children also supports this conclusion—36% came from households with monthly income under Rs. 200, 20% from the Rs. 200 – 300 income group, 27% from the income group Rs. 300 – 400 and 8% from the income group Rs. 400 – 500 and 8% from higher income groups (Table 2.10).

TABLE 2.10

Survey of Mothers and Malnourished Children at Lady Ridgeway Hospital, Colombo

Household Income Rs./month	No. Households	Percentage Households	Percentage Receiving Stamps
200	60	36.2	70.0
200 – 300	33	19.9	90.9
300 – 400	45	27.1	17.8
400 – 500	14	8.4	7.1
500	14	8.4	—
			77.4
			20.0

Notes : The Survey included –

(a) Mothers whose children were warded with 2nd or 3rd degree protein-energy malnutrition.

(b) Mothers whose children had been warded for malnutrition and were being currently being followed up in the out-patients clinic.

Source : The Survey was carried out by the National Planning Division, Ministry of Finance & Planning.

In general, those implementing the scheme at district level have been expected to manage with existing staff. Although comprehensive instructions and guidelines were issued by the Food Commissioner's Department, the lack of staff and the absence of close supervision has led to certain abuses. For instance, when recipients mortgage their stamps, the mortgager can continue drawing stamps in subsequent issues if he is in possession of the A slip¹. If the mortgagee declares he has lost his stamps along with the A slip he can get himself included in the next issue. Although a register is maintained giving the identification number and names of persons entitled to stamps, the continuous review of beneficiaries required for the efficient operation of the scheme is seldom possible given that a divisional officer handles about 50,000 stamps and issues have hitherto been at 3-monthly intervals. In some divisions it seems that the work is done by employing officers on a piece rate basis or by providing overtime payments for staff. Instances are also known where the work is done in the homes of persons working on a contract arrangement.

The stealing and misappropriation of both new and used food stamps is reported to occur mainly due to lack of entitlement control. Earlier the ration book holder on surrender of coupons could purchase his rice, flour and sugar only at the Co-operative Depot or Authorised Dealer's Shop to which he was attached. It was therefore possible for the Food Commissioner's Department to enforce maximum entitlement control effectively and ensure that each outlet could only claim reimbursement for the maximum number of ration book holders registered there. Since bread and kerosene can now be freely purchased against stamps, no attempt was made at first to limit the

¹A-Slip is that portion of the Food or Kerosene Stamp which indicates the name of the recipient, his/her index number and co-operative store/authorised dealer serving the recipient. This is retained by the beneficiary and surrendered after expiry of its validity for obtaining stamps for the following issue, while the B-Slip is a duplicate of the A-Slip which is retained at the respective co-operative store or authorised dealer.

number of stamps which could be encashed by Co-operative Depots and Authorised Distributors to the number of stamp holders registered with them (a maximum entitlement). Stolen food stamps could therefore be recycled and in some instances the stamps surrendered seem to have exceeded the maximum entitlement of the district. However, since April 1981 the Food Commissioner's Department has taken steps to enforce entitlement control in each MPCs area by refusing to accept stamps in excess of the number of stamp holders registered for that MPCs area. Bakers and Kerosene dealers who have found it difficult to encash their food and kerosene stamps due to this restriction are likely to refuse to issue these commodities for stamps in future. Better supervision is required at the co-operatives to prevent the misappropriation of food stamps. For instance, providing recipients with a lower quota of food stamps than their entitlement, illegal tender of unused stamps of recipients, surrendering of B-slips concealed with A slips with connivance of officials in order to obtain more stamps and writing out of stamps to a single family twice over are some of the common malpractices that seem to be rampant in the co-operatives.

The value of food and kerosene stamps has declined rapidly with the increase in prices of the commodities on the programme. To buy the same basket of commodities that a stamp valued at Rs. 15 could have purchased in 1979, Rs. 31 is needed now. For children under 12 years of age the same basket would now cost Rs. 47 and for children under 8 years Rs. 50 (Table 2.3). Seven bottles of kerosene now cost Rs. 15. The quantity of rice (16 lbs. per person per month) and sugar (1.5 lbs. per child) available on the ration in early 1979 now costs the consumer Rs. 48 and Rs. 12, respectively (Table 2.11).

TABLE 2.11

Income Transfer received by Households Entitled to the Ration in Early 1979 and Present Cost of these Commodities

Commodity	Quantity Per month (lbs.)	Price charged (Rs. / lb.) 1979	Market Price (Rs. / lb.) 1979	Subsidy per cap. per month (Rs.) 1979	July 1981 Cost (Rs.)
(1) Rice	4 (per cap)	0.00	1.63	6.52	12.00
	12 (per cap)	1.00	1.63	7.56	36.00
(2) Sugar	1.5 (per child)	0.72	3.00	3.42	12.37

Despite the large numbers obtaining food stamps, the national allocation of resources to food subsidies is declining due to upward revision in the prices of these commodities. Losses to the beneficiaries have not however been off-set by increase in wages or employment¹.

¹ R. B. Freeman "The Food Stamp Programme after one year: an Economic Appraisal" Policy Paper of the Harvard Advisory Team, 1981.

CHAPTER III

THE NUTRITION FACTOR AND THE FOOD STAMP SCHEME

ALTHOUGH the food subsidy programmes in Sri Lanka were not designed with specific nutritional objectives in view, the governments were conscious and appreciative of the significant contributions they made nutritionally to the lower income groups of the population.

It is of interest, therefore, to examine the possible nutritional implications of the recent change-over to the Food Stamp Scheme. Such an examination becomes more than a matter of interest when one views the change-over against the socio-economic context in which it has been effected. The islandwide survey of pre-school children conducted by the Ministry of Health, with technical assistance from the Centre for Disease Control, in Atlanta, Georgia (USA), in 1975 / 76, revealed that every third pre-school child in Sri Lanka was a victim of chronic Protein-Energy Undernutrition. It also revealed that the situation progressively worsened from infancy through the pre-school years, suggesting an unrelieved nutritional stress (undoubtedly augmented by environmental factors) through the years of normally rapid growth. The survey also shed considerable light on the attending circumstances, when it demonstrated the wide disparity between the growth performances of the poor rural children and their more fortunate, privileged counterparts belonging to the Colombo elite.

More recent surveys conducted by the Food and Nutrition Policy Planning Division (F & NPPD) of the Ministry of Plan Implementation appear to suggest a worsening of the nutritional status of pre-school children. These studies have also demonstrated a continuation of the trend, i.e. progressive increase in the numbers of the malnourished, from infancy, through the pre-school years into the primary school years.

A theoretical assessment of the likely nutritional consequences of the substitution of the Food Stamp Scheme for the subsidised Food Ration Scheme in the case of the lower income groups of our population is difficult. The task is made even more difficult by the variability of the "nutritional inputs" associated with the new scheme as well as by that arising from the allowing for a choice of commodities that may be procured with food stamps.

Despite these difficulties, an attempt is made here to arrive at a rough estimate of the change the new scheme may have brought about in terms of the availability of energy and protein to a family as a whole. The computations based on certain assumptions, are applied (for the purpose of illustration) to a not uncommon, but hypothetical family of five members, comprising two male adults, a female adult and two children of five and six years of age, whose monthly income is less than three hundred rupees.

Under the existing Food Stamp Scheme, every member of the above family qualifies for food stamps. They are together entitled to food stamps to the value of Rs. 95 per month.

The recent Food Stamp Evaluation carried out by the F & NPPD, revealed that families such as the above used the bulk of the food stamp entitlement to purchase rice. It is not entirely unrealistic, therefore, to compute the maximum weekly inputs of energy and protein of the family under discussion, through the Food Stamp Scheme, assuming the expenditure of the entire family entitlement for the purchase of rice. Using the respective prices of Rs. 3.30 and Rs. 6.60 per kilogram

of rice as obtained in the co-operatives in 1979 September and in July 1981, respectively such an exercise would help the family to purchase 7.20 and 3.60 kilograms of rice per week respectively. This represents nearly one third of the family's nutritional requirements in terms of energy and protein (Tables 3.1 and 3.2), in September 1979 which declined to less than one-fifth in July 1981. This compares with the provision of about 11% of these needs through free rice ration which was in operation just prior to the introduction of the Food Stamp Scheme (Table 3.3). However if the purchase of subsidised rice (also available on the ration) is included, 46% of the calorie needs of the reference family would have been met.

TABLE 3.1

Recommended Allowances of energy and protein for a Hypothetical Family for a Week

Family Composition	Energy (Kcal)	Protein (g)
2 Adult Men	35,000	728
1 Adult woman	13,300	287
1 Child (5 year old)	11,620	217
1 Child (2 year old)	8,470	168
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Total :	68,390	1,400
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TABLE 3.2

Proportion of Family Requirements met by Food Stamp Scheme (*)

(as applied to hypothetical family)

	1979 Sept.	July 1981
ENERGY.....	36%	18%
PROTEIN.....	34%	17%

(*) Assuming the utilisation of all the food stamps receivable by the family (cash equivalent Rs. 95) for the purchase of rice at the respective prices of the two periods—i.e. Rs. 3.30/kg. in Sept. 1979 and Rs. 6.60/kg. in July 1981.

TABLE 3.3

Proportion of Family Requirements met by Rice Ration (*)

(as applied to hypothetical family)

ENERGY.....	11.4%
PROTEIN.....	10.9%

(*) FREE RICE RATION PER WEEK FOR HYPOTHETICAL FAMILY OF 5 PERSONS.

(at 1 lb/person/week) — 2.25 kg. 2.25 kg. of RICE provides approx. 7760 kcal of energy and 153 g. of protein.

2. However, under the previous Rice Ration Scheme, there was an element of subsidy amounting to Rs. 7.56 for the purchase of 12 lbs. of rice over and above the free rice ration issue, and this has not been taken into this calculation. If the family had purchased the entire quantum of subsidized rice available than the above indicated ration would rise to 46% in terms of energy and 44% in terms of protein.

3. Furthermore, the subsidy of Rs. 3.42 on 1 1/2 lbs. of sugar/child/month which was available under the ration scheme, has also not been included in this calculation which would increase energy intake even more.

It must not be forgotten, however, that under the previous Food Subsidy Scheme, there were nutritional contributions from commodities other than rice as well ; furthermore, every individual of a family, irrespective of family size received the benefits. It must also be appreciated that the family is now called upon to spend a considerably higher proportion of its income, not only to purchase the balance food requirements (a situation that is likely to result in the purchase of only a fraction of what may have been previously purchased of the balance food requirements), but also to meet such other basic needs as health, housing, fuel and transport.

It is important to realise that the maximum proportions of energy and protein needs of a family that may be met through the Food Stamp Scheme, would fall below the figures indicated in Table 3.2, in the event of an escalation in the price of rice. A similar situation may already exist in the case of larger families.

At the income levels of the recipients of food stamps, given the current trends in the prices of essential food commodities, only a partial fulfilment of nutritional needs can be expected the food stamps contributing heavily towards such partial fulfilment. It follows, that a less than fully effective use of the food stamps towards fulfilling nutritional needs, would seriously undermine the nutritional goals of the scheme.

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CHAPTER IV

SURVEY ON FOOD STAMP SCHEME SUMMARY OF FINDINGS AND CONCLUSIONS

THE Food and Nutrition Policy Planning Division of the Ministry of Plan Implementation conducted an islandwide survey with a view to evaluating mainly the impact and incidence of the Food Stamp Scheme which was introduced in September, 1979 replacing the nearly four decade old food ration programme. This survey covered 15,560 households which amounted to about 1 percent of the country's total households. The quantitative data as well as the qualitative information gathered from all the 24 districts of the country by the field investigators have now been tabulated and systematically analysed. While the final draft of this survey report is under preparation a summary of the findings of the survey is herewith being presented.

The survey revealed that about 10 percent of the households claiming eligibility for Food Stamps were not receiving the benefit despite the fact that the bulk of such households appeared to have been aware of the scheme and had even made efforts to procure food stamps. It was felt that a considerable number of households would have under-estimated their incomes in order to qualify for the benefit, although the actual magnitude of such unintended beneficiaries cannot be ascertained from the survey data. There are reasons to believe that this number may be as high as 30 percent of the total recipients of food stamps.

An income-wise breakdown of the sample population revealed that almost 95 percent of the total households in the sample were in the income groups of less than Rs. 200 per month. The highest concentration of households, was seen in the Rs. 100 – Rs.200 monthly income group which contained 42% of the sample population whereas Rs. 200 – Rs. 300 category accounted for about 37 percent of the total number of households surveyed.

The average family size of the recipient households in all districts was about 5 persons. There was however, no district co-relation between the total population of the district and the average family size of the district. Similarly, it was not possible to trace any particular relationship between the average income of the districts and the average family size of districts. However, it is important to note that the family size of a given household was an important criterion in determining the eligibility for food stamps, as the income cut-off point varied on the basis of a graduated scale in relation to family size. As food stamps have been issued on the basis of the family income rather than on the basis of the per capita income of a family, this tended to discriminate against large poor-families with respect to the procedure of selection of beneficiaries.

The mean income of the food stamp recipient households in all districts was estimated at Rs. 165 per month. This average did not vary drastically from district to District. The average value of food stamps received by households, taking the 24 districts as a whole, reflected approximately Rs. 90 per month, while the district-wise average ranged between Rs. 78 and Rs. 106 per month.

Comparing the value of food stamps received by households with their mean income it was possible to ascertain the relative contribution of food stamps to the household income. For the entire 24 districts this ratio worked out to about 55 percent while it varied between 40 percent and 83 percent across the districts. In a majority of the districts the food stamps appeared to have

contributed about 50 percent of the mean income equivalent, indicating the importance of the scheme as a source of income supplement to the poor households. As can be expected, there was an inverse relationship between the income level of households and the relative contribution of food stamps to the household income. For example, in the case of the less than Rs. 100 income group, the food stamps contributed more than 100 percent of the mean income, while the contribution was between 60% to 80% in respect of the Rs. 100 – Rs. 200 category and ranged between 35 to 55 percent in the case of Rs. 200 – Rs. 300 income group.

The pattern of utilization of food stamps indicated that the proportion of stamps spent on rice was quite high, ranging between 70 to 90 percent in many districts. This percentage tended to vary less within the districts than among the districts. As such, the importance of rice (and paddy) in the consumption basket of the poor households has been confirmed by survey information. In other words, despite the availability of the choice of a range of commodities under the food stamp scheme there appears to have been a marked preference for rice consumption according to the stamp utilization pattern of poor income groups. It was also revealed by the survey data that on the average between 22 to 36 percent of the total rice consumption (in quantity terms) of a household was made possible by food stamps. This percentage was much higher in the case of relatively low income groups (such as below Rs. 100 and Rs. 100 – Rs. 200 per month categories) and varied between 25 to 50 percent.

The allocation of food stamps by commodities further indicated that sugar was another important item in the consumption bundle of the households of different income groups. There was however, a substantial variation in the percentage share of food stamps spent on sugar from district to district as the range was between 42 percent and 4 percent. Yet, in general, the percentage of food stamps on sugar in many districts was in the region of 10 to 15 percent.

An important observation of the survey was the relatively low level of milk food purchases by households. The food stamps scheme was designed in such a way that both size and age composition of a family would be taken into account in determining the value of the benefit, particularly in order to provide greater relief to families with young children. More specifically, higher values of food stamps were granted in the case of children below 8 years and those between the age of 8 to 12 years, mainly with a view to facilitating the purchase of milk food by poor households with children. This objective however, does not appear to have been realized as the proportion of stamps spent on milk foods was rather small in most of the districts. The highest percentage recorded by any district was 15, while some districts recorded very negligible percentages of about 2 percent. The average rate of utilization of food stamps for the consumption of milk was only around 5 percent.

The food stamps scheme offered a choice of commodities including rice, paddy, sugar, milk, flour, bread, pulses and dried fish, while kerosene stamps could also be utilised for the purchase of these food items. However, as it was stated already rice, sugar, and milk purchases were the most important items which tended to exhaust almost the entirety of the food stamp quota of a given household. The consumption of flour (and bread) has been very negligible in many districts and averaged less than 3 percent of the total food stamp expenditure. The diminishing demand for flour (and for bread) might have been influenced by the removal of the price subsidy on flour following the Government's decision to adjust the price of this commodity on a "no profit – no loss" basis. As such, rice appears to have been substituted for flour consumption to a great extent. In regard to the low level of milk food consumption there is a somewhat similar explanation. Households would have resorted to a food item like rice because it could be shared by all members of the family rather than milk food. Besides using food stamps to purchase milk food would affect this purchasing power as they would be subject to a relatively high rate of price inflation in terms of milk food.

The amount of food stamps unutilized and / or deposited in Savings Accounts appeared to be rather insignificant. In other words, the households have tended to utilize almost the entire quota of their food stamps, as was also revealed by another inquiry made by the Co-operative Development Department. Given the price escalation in food items and the low levels of income of many households, it was not surprising to observe such a trend, as the real purchasing power of food stamps tended to deteriorate quite fast.

According to the opinion expressed by the recipient households as regards their preference for the foodstamp scheme or rice ration scheme 38.5 percent preferred the rice ration scheme as against 31.8 percent who favoured food stamps. The remaining 29.7 percent of the recipient households indicated an equal preference. In terms of different districts, the first choice of 10 districts was the ration scheme, while 8 districts preferred the Food Stamp Scheme, leaving a balance of 6 districts revealing an equal preference.

The percentage of households which believed that either food stamps or commodities purchased through stamps were being sold appeared to be negligible. In this context there were 8 districts that reported a zero percentage while, in general, the percentage varied between 1.5 and 5.5, except in the case of a couple of districts which reported somewhat higher percentages.

One of the main concerns of the recipient households was the erosion of real value of the food stamps in view of price inflation. The households were also worried about not being able effectively to utilize the residual sums of money after making their purchase on food stamps. Also they have sometimes faced difficulties in obtaining the required items from the Co-operatives when they required to purchase them.

The report is not a mere summary of the facts and figures which have been collected in other parts of the report, but a study of the various aspects of the problem, and an attempt to show how they are related to each other. It is a study of the various aspects of the problem, and an attempt to show how they are related to each other. It is a study of the various aspects of the problem, and an attempt to show how they are related to each other.

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CHAPTER V

POLICY CONSIDERATIONS AND PROPOSALS FOR THE RESTRUCTURING OF THE FOOD STAMP SCHEME

IN October 1980, the Food and Nutrition Policy Planning Division submitted to Government an Interim Report on Nutritional Status, its Determinants and Intervention Measures, highlighting policy considerations that could influence the Food Stamp Scheme in respect of beneficiary coverage, incidence, fixity of stamp value in terms of a nutritious commodities like rice and upgrading of stamp value in relation to the cost of living index.

The report, in comparison to the earlier one, provides detailed recommendations for both macro and micro-level programming and planning. This document draws conclusions from the islandwide survey results of the food Stamp Scheme, provides a nutritional over-view of the scheme, reviews the administrative mechanism, costs and other overheads and examines operational problems and weaknesses prevalent in the scheme. The report also refers to the observations of Dr. Freeman, Consultant to the Ministry of Finance and Planning, in his Economic Appraisal of the Food Stamp Scheme in early 1981.

1. Policy Options

The three policy options available to Government to support a general purpose nutrition oriented food purchase programme are the (i) introduction of a rationing scheme based on one or two basic commodities (ii) re-structuring of the present Food Stamp Scheme (iii) abolition of the food subsidy schemes in lieu of a cash payment for the purchasing of basic food commodities.

The rationing scheme is easily the best policy option from a nutritional standpoint, but it had to be abolished because the cost of the scheme was such that no government could sustain such a heavy food bill. Sri Lanka apparently was the only developing country that maintained such a costly welfare scheme until 1977, spending almost 16% of its budget on food subsidies.

The third alternative, of abolition of the food stamp scheme and providing an income dole to meet the effective food demands of the real poverty groups, is not a satisfactory proposition because such a flexible scheme could lead to the indiscriminate spending of the subsidy on a whole gamut of items, ranging from food to non-food items, resulting in a substantial part of the monies being wasted. The population, in general, and the target groups, in particular, could be worse off than now from a food and nutrition point of view with this sort of cash subsidy scheme.

Further, the abuses which are likely to occur in this sort of operation could be even more serious than in the administration of the Food Stamp Scheme because here massive money cash transfers are involved at all levels of implementation. Considering the experiences of the earlier income support scheme and keeping in view the deteriorating nutritional standards and the sizeable drop in the average calorie consumption levels of the low income groups, it is not advisable to embark upon such a scheme although it might result in some financial saving on operational costs incurred in the implementation of a food subsidy or Food Stamp Scheme.

The economic gains anticipated by such a scheme could be frittered away by rising health bills on mother and child health care if calorie consumption drops below the present levels. Eventually this would lead to the retardation of the development effort due to the impact of poor nutrition on the work force.

The strategy underlying the shift from the Rice Ration Scheme to the Food Stamp Scheme was to reduce the food subsidy on stable income groups and divert such savings and resources to the various key development sectors with a view to increasing production and incomes and providing for a better distribution of income among the poorer segments of the population through employment creation.

During the interim period, the Food Stamp Scheme was to sustain income groups below the pre-determined poverty line (based on family size and family income), by providing food stamps to purchase a select basket of food commodities at subsidised prices. The ultimate aim of the scheme was to scale down the subsidy to a manageable section of the population which would not necessarily benefit by rises in the GNP per capita or enhanced income levels. Thus this group would eventually consist of the poorest sections of the populace who have to be serviced by the state.

It is now evident that food stamps raise the declared income of the average household receiving stamps by 55% (see Chapter IV) and even when doubling that income to estimate true income they would still contribute only a significant income of a 28%. Elimination of the programme would reduce the income of families receiving stamps by such a magnitude that under no plausible growth of employment and real wages scenario will they regain their standard of living in the near future.¹ Hence the existing scheme should be supported and maintained and made to and strengthened by inspired programme administration greater effectiveness.

2. Recommendations

2.1 Beneficiary coverage & unintended recipients

A feature highlighted in practically all the previous appraisals and confirmed by the F & NPPD's Survey Report on the Food Stamp Scheme is the omission of prospective beneficiaries, estimated at 10 – 12%. Similarly, there are reasons to believe that as much as one third of the beneficiaries included in the scheme would not be eligible if their incomes are properly declared. The statistics available from the sixth issue of food stamps indicate that almost 7.4 million of the population have been provided with food stamps. In the light of these considerations, it is strongly recommended that the entire scheme be re-structured so as to include the maximum number of eligible persons by dispensing with the unintended beneficiaries. While increases in numbers continues to take place in some districts despite the government directive, in others, families who genuinely need it due to loss of a wage-earner, unemployment, new births etc., are deprived of the benefit.

2.2 Assessment and district quotas

The quantity of food stamps to be issued during a given year could be based on a district quota system to be determined centrally. At present about 7% of the Government's total expenditure is committed to the Food Stamp Scheme. The stamp value to be provided for each district may be considered in respect of indices pertaining to size, population, income, employment together with the nutritional status of the district. It is recommended that the National Food Policy Committee, with the assistance of an appropriate technical committee, be given this responsibility. As an initial step the food stamp value component of each district may be added on to the respective decentralised budget allocations provided for the district. The Government Agents will be responsible to administer the scheme, as is the practice now, but subject to the directions and supervision of the District Development Councils.

¹ R. B. Freeman "The Food Stamp Programme after one year; an Economic Appraisal", Policy Paper of the Harvard Advisory Team, 1981.

2.3 *Selection Procedure*

The present guidelines given to the districts for the screening and selection of beneficiaries will have to be reviewed in any case and suitably revised if the procedure recommended above is accepted. Further the district panels responsible for the screening of eligible candidates should be constituted of eminent persons with a high sense of integrity and not biased by parochial considerations.

The final selection and approvals should be delegated to district officials in the senior management levels. These officials should be given the necessary authority to question the decisions of the panels in doubtful cases and be permitted to exercise their judgment over the panels when the need arises. It should be made a serious offence for local officials to discriminate for / against families on the basis of anything other than poverty status.

The selection of food stamp recipients should also take into account other schemes of assistance, such as the World Food Aid provided in the form of food rations, supplementary feeding projects and social service assistance. The complementary benefits of these programmes, wherever relevant, should be quantified and a net assessment be made, since some candidate households may be benefited by two or more sources of assistance.

2.4 *Reserve fund for additional beneficiaries*

It is recommended that the District Development Councils build up a reserve fund at the district level from public savings, utilities, donations and any other income generating sources, in order to improve beneficiary coverage which may not be wholly possible from the decentralised budget allocations. In such circumstances, it is suggested that approval for the inclusion of an additional beneficiary category be obtained from the relevant Ministry administering the programme.

2.5 *Eligibility Criteria*

The eligibility for food stamps is at present based on household incomes rather than per capita income. For instance a household of 6 persons in receipt of an income of Rs. 300 or less per month would all qualify for food stamps whereas the same number of members in a household enjoying a monthly income ranging from Rs. 301 – Rs. 360 per month is deprived of the benefit except for one member of the household. The average size of the recipient household is about 5 persons. This inherent feature of the food stamp scheme discriminates against the larger poor-families ; hence the use of household income as a criterion for eligibility should be changed to that of per capita income and benefits should tail off gradually once incomes exceed the poverty scale.

2.6 *Real value of food stamps to be tied to a rice quantity value*

Although the food stamp scheme has improved the income status of the low income groups, it cannot be stated with equal emphasis that it has improved the purchasing power of these groups in the context of present inflationary trends. For instance, from September 1979 to September 1980, the value of food stamps dropped by 21%, in terms of the Food Price Index for Colombo, and by 30% in terms of the price of rice on which commodity the majority of stamps are spent .¹ The purchasing power of food stamps had halved by July 1981 (Table 2.10 in Chapter II) in terms of a composite basket of rice, flour, sugar and Lakspray.

¹R. B. Freeman "The Food Stamp Programme after one year ; an Economic Appraisal ", Policy Paper of the Harvard Advisory Team, 1981.

The survey results indicate that the quota of food stamps of a given household were more or less used up within two weeks, predominantly on rice and sugar purchases. It was also observed that savings accruing from stamps were negligible. These viewpoints strongly reiterate the case for enhancement of food stamp value. It is suggested that this may be considered at least in terms of rice. The opinion survey findings suggested that the present value of stamps should either be indexed to the cost of living or, in the alternative, there should be a re-introduction of the former rice ration scheme. Another suggestion was to provide an explicit subsidy on items to be purchased on food stamps by the beneficiaries.

The pattern of utilization of food stamps points to the fact that between 70-90 percent of expenditure is on rice regardless of the rice availability in the district. The average rate of food stamp expenditure on milk food consumption has been around 5% in spite of the higher food stamp value given to those under 8 years of age for purchases of milk foods.

From a nutrition standpoint it may be desirable to have a more realistic stamp value on infant milk foods specifically due to the withdrawal of the subsidies. However, in view of rising world prices of milk foods a more sensible and practical approach for poor households is to utilise the stamps to procure as much as possible of rice to nourish the pregnant and lactating mothers so that they could have minimum dependence on artificial milk foods to supplement breast milk.

It is therefore recommended that the value of stamps be maintained in line with the cost of a fixed quantity of rice according to the price at which it is sold in the Co-operative. The quantum of stamps and their value can then be related to a minimum calorie intake level necessary to meet basic nutrition needs of a family. The beneficiaries should however be permitted to use the stamps to also purchase other cheaper nutritive commodities which should be made available at the co-operatives.

2.7 *Poverty line (cutoff point)*

It is recommended that on the basis of the results of the recent surveys, and food price increases that the cutoff point for eligibility be expressed in per capita terms and be raised from the present Rs. 300 per month per household to Rs. 75 – 80 per month per capita. This would result in a cut-off point of Rs. 375 to Rs. 400 per month for a family of 5 persons. In order to stay within the present costs of the programme the elimination of unintended beneficiaries must be carried out at the same time.

A strong argument can be made for the conversion of stamps to a rice-quantity value. The quantum of stamps and its value can be related to a minimum calorie intake level necessary to meet basic nutrition needs of a family. The beneficiaries should be permitted to convert rice-quantity stamps to purchase cheaper nutritive commodities which should be made available at the co-operatives.

2.8 *Monitoring system*

In order to realise the objectives of the scheme and ensure that the poorest groups benefit fully it is essential that a proper monitoring system be devised. This can be undertaken by an organisation like the Food & Nutrition Policy Planning Division or the Ministry of Finance & Planning with the assistance of the relevant Ministries and Departments. Similarly, progress, control and monitoring of the scheme must be undertaken by public/private sector institutions at the district level. The development of an efficient information collection and monitoring system is a pre-requisite both at the centre and the periphery for the continuation of the scheme.

By the introduction of an appropriate surveillance model linking the two levels of monitoring suggested above, it would be possible to systematically reduce the recipient level by almost one half to include the real poor who are incapable of benefiting from real growth through market activities. It is suggested that the savings accruing from this exercise be used to further assist this category by adjusting their stamp value to retain their real purchasing power.

2.9 *Implementation problems and abuses*

Chapter II deals with programme deficiencies and implementation problems that highlight the kinds of abuses such as mortgage of stamps, recycling and trading of stamps. These maladies are due to the lack of proper entitlement control, paucity of staff for implementing the programme, abuses of trained and experienced personnel and the poor supervision of the programme at the field level. Therefore, it is vital that every effort be made to strengthen programme administration and effectiveness. The reduction in the numbers involved would also enable local officials to exercise better control over the processing of food stamps.

The selection of special co-operatives and authorised dealers within easy reach of the beneficiaries for encashment of stamps is useful in curbing some of the malpractices that occur when this facility is provided at different agencies. It is suggested that better entitlement control can be effected by removing bread from the basket of commodities and by eliminating the kerosene stamp component from the food stamp scheme. However, the value of kerosene stamps should be added on to the food stamps.

The co-operatives and authorised dealers outlets will have to be regularly well stocked with the basic food items and other low cost nutritious commodities for servicing the beneficiaries. This will promote maximum usage of stamps. These agencies have to be provided with buffer stocking arrangement so that timely action can be taken to replenish depleted stocks.

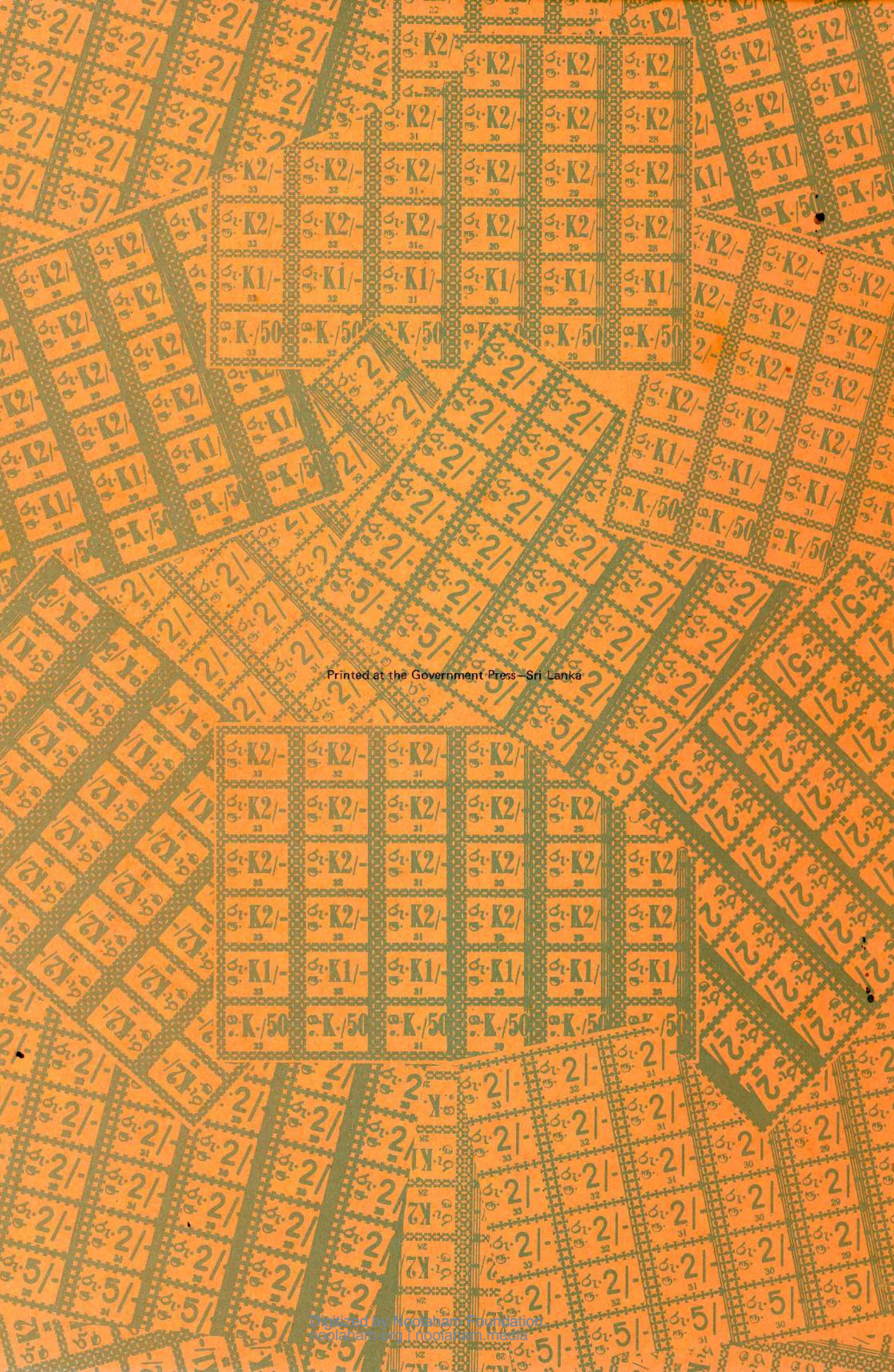
2.10 *Contingencies*

In the recent past calamities, like cyclones, droughts, floods, artificial scarcities, etc., have caused untold hardships to certain income groups who might have otherwise not been dependent on food stamps. The provision of a quantum of food stamps as an emergency relief for such situations is recommended. The proposed 'reserve fund' at the district level would prove invaluable in such situations.

2.11 *Regular Evaluation of the Scheme*

The committee having considered the implications of the entire scheme and, specifically, its impact on the poverty groups, strongly recommends the continuance of the Food Stamp Scheme in the best national interest. However, it is important that an evaluation of the Food Stamp Scheme be undertaken at least every 1 1/2 years to improve the effectiveness of the programme.

It is important to realize that there is no inconsistency between income transfers to the poor on the one hand, and on the other hand, an economic programme which frees the productive sector from constraints subsidised prices and the like. A good strategy is to free the productive sector to improve the allocation of resources and increase the efficiency of the economy while using income transfer such as the food stamp programme to maintain a reasonably equitable income distribution.



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