End Notes

1. A. Vaidyanathan, *The Hindu*, 1997, September 1.

2. At least one positive result of DP 1997 has been an increase in the general awareness within public of the nature and magnitude of the subsidy problem. One write up (*The Sunday Times,* May 11, 1997) referred to the Indians as "We, the subsidised people". Another author (*Business Today,* May 22-June 6, 1997) contended "No nine letters have aroused as much dread as these". The recognition of the problem is perhaps best echoed in a recently published letter of a reader (*India Today,* March 8, 1999) "Subsidy is a sleeping pill given to people so that they can't stand on their own feet".

3. Some methodological difficulties (for example, see Dharam Vir, "Subsidies Unveiled," *The Economic Times,* October 18, 1997) were raised in estimating the implicit subsidies. In particular, attention was drawn to (i) possible over-estimation of capital costs implicit in the assumption that capital expenditure incurred upto the end of the preceding year would start providing service from the beginning of the current year, and (ii) overstatement of costs as government expenditure are characterised by various inefficiencies and leakages.

4. This method takes into account the fact that capital stock at the beginning of the period, as available in the *Finance Accounts*, is the sum of nominal investments made in the previous years, and before applying a depreciation rate, capital stock in terms of prices of one common year is needed. A note, separately being provided by NIPFP, gives the technical details.

5. Higher or lower targets (as compared to the average figures in the text) have been set for specific services as detailed below.

Figures in brackets indicate short and medium-term targets, respectively:

Elementary education (1, 10); secondary education (20, 30); urban health services (30, 40); environmental forestry and wild life (40, 60); plantations (50, 90); cooperation (50, 90); roads (60, 100); inland water transport (60, 100); Delhi Milk Scheme (70, 100); light houses and light ships, thermal and nuclear power generation (100, 100); power house at Phoenix Bay and atomic energy industries.

Lower than average targets are provided owing to the nature of service. Higher than average targets are provided in cases where recoveries are already higher than the average targets.

6. The food subsidy for a universal coverage of the BPL population can be calculated by the following expression:

[number of poor households] X [degree of subsidisation] X [foodgrains supplied per household] X

[{share of wheat in PDS consumption} X {economic cost of wheat} +

{share of rice in PDS consumption} X {economic cost of rice}]

Using the poverty ratio of 1993-94 (36%) on the current estimated population of 100 crore and an average of 5.2 persons per family, the number of poor households may be estimated as 6.92 crore. As per the norms of the targeted PDS programme (TPDS) introduced in June 1997, the norm of the PDS supply per family per month for BPL population is 10 kg. of foodgrains. The division of this between wheat and rice, however, was not specified. Using the proportions of 0.42 and 0.58, which indicate the average off take of wheat and rice in the PDS programme during the period from 1991-92 to 1998-99, and using a subsidy rate of 50 percent of economic cost, the food subsidy for BPL population will be about Rs. 4282 crore. In this calculation, the economic costs of 1998-99 were increased by an inflation rate of 7 percent. If the subsidy rate is set at 60 percent, this figure would be revised upwards to Rs. 5138 crore.