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MANAGEMENT OF FOODGRAINS

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventy-third Report (14th Lok Sabha)]

**MINISTRY OF CONSUMER AFFAIRS,
FOOD AND PUBLIC DISTRIBUTION
(DEPARTMENT OF FOOD & PUBLIC
DISTRIBUTION)**

PUBLIC ACCOUNTS COMMITTEE

2009-10

SECOND REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE (2009-10)

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(DEPARTMENT OF FOOD & PUBLIC DISTRIBUTION)



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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009-10)

Shri Jaswant Singh — *Chairman*

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Khagen Das
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Shri Gopinath Munde
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12. Shri Yashwant Sinha
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20. Dr. K. Malaisamy
21. Shri N.K. Singh
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SECRETARIAT

1. Shri Ashok Sarin	—	<i>Joint Secretary</i>
2. Shri Raj Shekhar Sharma	—	<i>Director</i>
3. Shri M.K. Madhusudhan	—	<i>Addl. Director</i>

INTRODUCTION

I, the Chairman, Public Accounts Committee (2009-10), having been authorised by the Committee, do present on their behalf this Second Report (Fifteenth Lok Sabha) on action taken by Government on the Observations/Recommendations of the Committee contained in their Seventy-third Report (Fourteenth Lok Sabha) on “Management of Foodgrain”.

2. The Seventy-third Report was presented to Lok Sabha on 29th April, 2008. Replies of the Government to the Observations/Recommendations contained in the Report were received on 18th November, 2008. The Public Accounts Committee considered and adopted their Second Report at the sitting held on 27th October, 2009. Minutes of the sitting are given at *Appendix I*.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Seventy-third Report (Fourteenth Lok Sabha) is given at *Appendix II*.

NEW DELHI;
13 November, 2009
22 Kartika, 1931 (Saka)

SHRI JASWANT SINGH,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 73rd Report (14th Lok Sabha) on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (No. 16 of 2006), Union Government (Civil Performance Audit) relating to “Management of Foodgrains”.

2. In their 73rd Report presented to Lok Sabha on 29th April, 2008, the Committee dealt with various issues relating to the effectiveness of the system for management of foodgrains for securing food security in the country; the efficiency of the system of procurement by Food Corporation of India and the States; efficiency and economy in storage and movement operations; and effectiveness of distribution arrangements of Government to ensure that all people had proper access to the foodgrains.

3. The Action Taken Notes in respect of all the 23 Recommendations/Observations have been received from the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) and these have been categorized as under:

(i) Observations/Recommendations which have been accepted by Government:
Sl. Nos. 1, 2, 3, 4, 5, 7, 9, 10, 16, 17, 18, 21, 22, and 23

Total : 14
Chapter-II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government:
Sl. Nos. 11, 12, 13 and 15

Total : 4
Chapter -III

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:
Sl. Nos. 6, 14, 19 and 20

Total : 4
Chapter-IV

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:
Sl. No. 8.

Total : 1
Chapter-V

**GIST OF COMMITTEE'S OBSERVATIONS/RECOMMENDATIONS CONTAINED
IN 73RD REPORT (14TH LOK SABHA)**

4. The Committee in their 73rd Report on the subject had made the following important Observations/Recommendations:

- Expressing their serious concern over the shortfall in decentralised procurement of foodgrains being implemented in some States, the Committee had recommended that emphasis needs to be laid on the adequacy in Cash Credit limits sanctioned by Reserve Bank of India to the State Governments and full reimbursement of expenses and timely release of subsidies by the Central Government. Government was also asked to re-visit the decentralised procurement scheme with a view to optimizing both costs and extent of procurement.
- The Committee had recommended formulation of a comprehensive National Food Security Policy, particularly in a scenario when global production of foodgrains is on the decline and the prices are on the rise.
- Government should carry out an assessment study on the Minimum Support Price Scheme and its effectiveness in providing remunerative prices for farmers to overcome the distress sale of foodgrains by farmers.
- With a view to ensure food security and make farming sustainable, the Committee suggested that new frontiers of research in agriculture should be supported and the gap between academic agricultural research and its effectiveness on the field should be bridged.
- The Committee had asked the Food Corporation of India to pull up its quality control wing and take follow-up action on each quality related complaint scrupulously.
- Government should have a fresh look at the definition of poverty line in consultation with the Planning Commission so as to arrive at a more realistic, inclusive and acceptable set of criteria/norms for the identification of beneficiaries by the States.
- The Committee had emphasised that the Government should take prompt and effective measures to control the price rise including deterrent action against hoarders, if necessary, by amending the Essential Commodities Act and imposing a ban on Forward/Futures Trading in essential commodities.

5. The Action Taken Notes furnished by the Ministry of Consumer Affairs, Food and Public Distribution have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations, that require reiteration or merit comments.

6. The Committee desire that Government should furnish final/conclusive action taken replies to the recommendations for which interim replies have been furnished.

**A. Impact Assessment Study of Minimum Support Price Scheme on Farmers
(Recommendation Sl. No. 6, Para No. 192)**

7. The Committee in their 73rd Report had noted that no impact assessment survey was ever conducted by the Ministry to study the extent of denial of benefits of Minimum Support Price among farmers, leading to distress sale of foodgrains. The Committee had expressed that in the absence of such an assessment study, the actual penetration and impact of Minimum Support Price Scheme and its shortcomings, if any, cannot come to the fore and appropriate interventions would not be possible. Keeping this background, the Committee had asked the Government to carry out an assessment study on the Minimum Support Price Scheme and its effectiveness in providing remunerative prices for farmers and in overcoming distress sale of foodgrains by farmers. The Committee had also suggested that the constraining factors affecting the Minimum Support Price Scheme in general should be identified and remedial measures must be taken at the earliest.

8. Apprising the Committee about the steps that have been taken by the Ministry on the aforementioned recommendation, the Ministry in their Action Taken Note stated as under:

“In order to generate awareness of Minimum Support Price (MSP) among the farmers, instructions have been issued by the Department of Food and Public Distribution to FCI and the State Governments to give wide publicity in the local media regarding the MSP scheme, names of the procurement agencies, particulars of purchase centres and FAQ specifications. The State Governments have been further requested to instruct their procuring agencies to organize wide publicity (in association with FCI) through print and visual media as well as through banners, pamphlets etc. Regional Offices of the FCI and State Governments like Punjab, Haryana, Andhra Pradesh, Chhattisgarh, Tamil Nadu, Kerala etc. have confirmed that they are giving wide publicity about MSP in the local media before the commencement of every Kharif and Rabi Marketing Season. The Department of Agriculture and Cooperation has also informed that to create awareness among farmers, support is provided to the States in strengthening extension programmes through a number of schemes. The various schemes include support to State Extension Programmes for Extension Reforms, Mass Media Support to Agriculture, Kisan Call Centres and Establishment of Agri-Clinic and Agri-Business Centres by Agriculture Graduates. Agriculture related information and knowledge to the farming community including the Minimum Support Prices is also provided through the network of Radio Stations and Doordarshan on the National as well as regional channels. No impact assessment survey to determine the extent of deprivation of benefits of Minimum Support Price to the farmers has been conducted by the Department of Food and Public Distribution. However, before every procurement season, the Department of Food and Public Distribution issues instructions to the FCI and concerned State Governments to organize publicity about the MSP operations and also to set up Control Rooms in FCI headquarters, Regional Offices of FCI and in the State Governments. A Control Room is also available in the Ministry which gets daily

reports of the quantum of foodgrains procured in every State as well as reports of distress sale (if any). As recommended by the Committee, Planning Commission is being requested to undertake a study about the efficacy of MSP regime. In case a report of distress sale is received, the concerned State Government and Regional Office of FCI is immediately directed to investigate the report. As a result of wide publicity of enhanced MSP of wheat (Rs. 1000 per quintal) in RMS 2008-09, the total procurement for Central pool has touched an all time high of 224 lakh tonnes."

9. The Committee note that as a follow up of their recommendation in the Original Report, the Ministry of Consumer Affairs, Food and Public Distribution have requested the Planning Commission to undertake a study on the efficacy of Minimum Support Price Scheme to farmers. However, the Ministry's reply does not indicate the time-frame by which the study would be completed. The Committee desire that the Ministry should emphasise upon the Planning Commission to expedite the study and submit the Report thereon within a definite time period. The Committee would like to be apprised of the progress made in this regard within 3 months from the date of presentation of the Report.

**B. Elimination of Bogus Ration Cards
(Recommendation Sl. No. 14, Para No. 200)**

10. Noting that the efforts made by the Ministry to eliminate bogus ration cards as well as bogus units in the ration cards had not yielded any tangible results and considering the magnitude of the problem, the Committee had asked the Ministry to apprise them about the latest position on this count as well as on the updating of lists of beneficiaries in all the States/Union Territories.

11. The Ministry in their Action Taken Note have stated as under:

"As of now, 12 State Governments have reported deletion/cancellation of 96.86 lakh of ration cards belonging to non-existent families/ineligible families. All the State and UT Governments have been requested again to furnish the detailed information on (i) number of bogus/ghost ration cards deleted *w.e.f.* July, 2006, (ii) Action taken against the families who were found possessing bogus/ghost ration cards and also action taken against the officials who issued such bogus/ghost ration cards."

12. The Committee regret to find that only 12 States have reported deletion/cancellation of the bogus ration cards and the information in respect of other States/UTs is still awaited. Obviously the Ministry of Consumer Affairs, Food and Public Distribution does not seem to have approached the problem with all the seriousness that it deserved. The Committee, therefore, urge upon the Ministry to make concerted efforts in coordination and cooperation of the remaining State Governments/UTs so that bogus ration cards are removed within a definite time-frame. The Ministry should also periodically monitor the progress made by the States/UTs so that they continually update respective lists of Above Poverty Line/Below Poverty Line/Antyodaya Anna Yojana families every year.

**C. Settlement of Pending Claims of Food Corporation of India against Railways
(Recommendation Sl. No. 19, Para No. 205)**

13. The Committee in their 73rd Report had found that Food Corporation of India's pending claims against the Railways in March, 2005 had amounted to Rs. 796.45 crore. Out of this, refund of freight amounting to Rs. 37.41 crore had been pending for periods ranging from 12 to 27 years. Reasons attributed for such long pendency were non-availability of relevant records with the Railways including the original Physical Delivery Certificate against which payments were made. The Committee suspected that these are cases of collusive corruption between Food Corporation of India and Railways officials. The Committee had therefore, recommended that Inter-Ministerial meetings should be held at the highest level and measures to tackle such problem be sorted out instead of prolonging the cases by taking recourse to legal option. The Committee had also deplored the laxity of Food Corporation of India in monitoring the claims which had led to their pendency for a number of years. While taking a serious view of this matter the Committee had recommended that the Food Corporation of India should enquire into the conduct of the concerned officials and apprise the Committee of the action taken thereof. The Committee had also emphasised that the Food Corporation of India must also strengthen its monitoring mechanism and devise effective means for vigilance to tackle such issues in its nascent stage itself.

14. In their Action Taken Notes the Ministry have stated as under:

"The Department and FCI have been constantly pursuing the matter with the Railway Board for settlement of the claims which are pending with the Railway for a long time. Meetings were held at the apex level for settlement of pending claims against the Railways. The pendency of Railway claims is also due to the fact that Railway have shown their inability to settle the old cases as the relevant period record reportedly is not available with them. It has also been stated by the Railways that due to non-availability of original Physical Delivery Certificate (PDC), Railway freight claims are pending. In the meeting held on 21.3.2005, it was agreed by the Railways that the FCI may produce their shadow file to the Zonal Railways concerned so that these cases may be built up again and settled accordingly. The issue of Refund of claim cases prior to July, 95 the records of which were stated to have been weeded out by Railways under age limit was discussed in the meeting held with CCO and with FA&CAO (T&S), Northern Railway held on 17.7.2005 at FCI Zonal office (North), Noida wherein it was decided that taking the spirit of the Railway Board directive, the claim cases would be settled on the basis of shadow files prepared by the FCI as per discussions. The shadow files of the refund of freight claim cases were submitted, but Railway refused to deal with the cases on the plea that the verification of the cases cannot be done as the booking station records have also been destroyed. In order to resolve this issue, a meeting was also taken by Secretary (FPD) with Railways and FCI officers, wherein it was decided that FCI would certify the genuineness of the copies of the PDC submitted and Railways would examine the possibility of settling claims on their basis. Settlement of pending claims of FCI are also discussed in the periodic meetings held between

officers of Department of Food & P.D. and Railway Board. FCI has been following up the settlement of pending claims with Railways at various levels. However, there is till a pendency of large number of cases, primarily due to the procedural requirements of Railways. FCI Headquarters has been regularly pursuing the issue with the concerned EDs(Zone)/GM(Region) and also with the Railway Board for early settlement at the highest level. FCI has also been advised to examine all the cases of pending claims with Railways and take action if there is any case of laxity or collusive corruption between FCI and Railway officials."

15. The Committee regret to note that though the Ministries of Consumer Affairs, Food and Public Distribution and Railways have made efforts for settlement of a large number of pending claims of Food Corporation of India against Railways in respect of refund of freight, these have not yielded any tangible results. From the reply it is apparent that the issue could not be settled due to the procedural wrangles and intransigence on the part of the Ministry of Railways. The Committee are of the considered view that since considerable delay has already taken place, the Ministry of Consumer Affairs, Food and Public Distribution should in coordination with the Ministry of Railways, take concrete action which culminates into finalisation of pending cases within a fixed time frame. The Committee would like to be apprised of the outcome in this regard.

D. Strengthening the Enforcement Wing and Anti Hoarding Cell (Recommendation Sl.No. 20, Para No. 206)

16. The Committee in their 73rd Report had noted that there was high leakage/diversion of more than 75 per cent of the total off-take of Below Poverty Line (BPL) quota in Bihar and Punjab and at the all India level, the overall diversion of rice and wheat was 39 per cent and 53 per cent respectively. The Committee had therefore, opined that diversion of foodgrains from the system is a menace which should be checked on top priority and had desired that the Enforcement Wing and Anti-Hoarding Cell should be strengthened and people engaged in Public Distribution System made accountable and Inspection Parties acting as Flying Squads should be constituted to inspect the movement and distribution of foodgrains. The Committee had recommended that to minimize the human intervention, Information Technology could be put to use for providing an end-to-end automated system, which will bring about transparency in the system.

17. The Ministry in their Action Taken Note on the aforementioned recommendation *inter-alia* stated as under:

"To streamline the functioning of Targeted Public Distribution System, the Department has been continuously taking a number of measures as explained in replies to earlier paras. In addition, the following steps are being taken to harness use of IT in functioning of TPDS as recommended by the Committee. This Department has appointed the National Institute of Smart Government, Hyderabad as Project Consultant to prepare a detailed project report on the project on computerization of TPDS operations upto Block Level by studying systems and processes of TPDS in four States *viz.* Andhra Pradesh, Assam,

Chhattisgarh and Delhi. The software applications, etc. to be designed based on the study will be piloted in these four States. After successful implementation and experience gained from the Pilot Project, it would be rolled out in rest parts of the country. As part of pilot project website is also planned which will provide information to public about allocation, availability and offtake at various levels. Introduction of Smart Card based delivery of foodgrains in Haryana and Chandigarh is being taken up on pilot basis. This is a very innovative way to eliminate malpractices in TPDS. Piloting of Global Positioning System (GPS) for tracking movement of vehicles carrying TPDS commodities has been taken up in Chhattisgarh, Tamil Nadu and Delhi in order to minimize diversion during movement of foodgrains from godowns to Fair Price Shops. For better coordination among the work of State Governments and UT Administrations and FCI, the Department takes periodical review meetings. The Department has already directed the State Governments and UT Administrations to act upon a reform agenda for TPDS. This consists of the following actions: (i) Implementation of revised Citizens' Charter; (ii) Monthly certification by local bodies of receipt of TPDS foodgrains by Fair Price Shops and their distribution to ration card holders; (iii) Concurrent evaluation of TPDS; (iv) Publicity-cum-Awareness Campaign on TPDS; (v) Computerization of TPDS operations. (Govt of India, Ministry to Block level); (vi) Computerization of monitoring and distribution of TPDS commodities at Fair Price Shops; (vii) Piloting of Global Positioning System to track movement of vehicles transporting TPDS foodgrains; (viii) Direct transfer of food subsidy in cash to BPL families, and (ix) Introduction of Smart Cards under TPDS in Chandigarh and Haryana. Under the revised Citizens' Charter issued in July, 2007, the State Governments have been directed to constitute State Level Committee under chairmanship of the State Food Minister so that better coordination with various agencies takes place in practice. In view of recommendations of the Committee, the Department will further attempt to enlarge scope of work of the State level committee for better coordination among State agencies as well as Central agencies like FCI."

The Ministry further stated:

"The National Institute of Smart Government (NISG) was appointed as Project Consultant and their team commenced work from 15.04.08. The NISG has furnished three deliverables namely—Report on study of existing systems and processes under TPDS, report on best practices for benchmarking and report on to-be processes and design of proposed solutions. Further, the NISG has to submit DPR along with proposal for piloting the project in four States namely Assam, Andhra Pradesh, Chhattisgarh and Delhi. The Pilot Project will be launched in the proposed four States after the DPR is received and examined in the Department and the project is approved. Based on Finance Minister's Budget Announcement 2008-09 for introduction of Smart Cards for delivery of essential commodities under TPDS on pilot basis in Haryana & Chandigarh, this Department had requested both the Governments to furnish their DPRs on the project. They submitted their respective revised DPRs in August, 2008. The

cost estimates of this Scheme are of Rs. 144.82 crores. The scheme is presently under appraisal by the Committee on Non-Plan expenditure."

18. The Committee note with satisfaction that pursuant to their recommendation, a number of steps have been taken by the Ministry of Consumer Affairs, Food and Public Distribution to harness the Inforamtion Technology in the implementation of targeted Public Distribution System (TPDS). The Committee would like to be apprised of the outcome of the various pilot projects undertaken by the National Institute of Smart Government, Hyderabad in some States and their impact in bringing about efficiency in the functioning of TPDS and eliminating malpractices as also the steps taken to extend these projects to other States/UTs as well.

The Committee further note that under the revised Citizen's Charter issued in July, 2007, the Ministry have directed the State Governments to constitute a State Level Committee under the Chairmanship of State Food Minister to ensure better coordination among various agencies in monitoring the functioning of the TPDS. The Committee would like to be apprised about the impact made by the respective State Level Committees in ensuring proper coordination among various agencies in the implementation of the Scheme.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

Management of food pricing and distribution in India seeks to achieve the twin objectives of providing remunerative prices to farmers and building up a buffer stock, together with availability of foodgrains at affordable prices to the common man and targeted distribution of foodgrains for the survival of the poor. The food policy of Government is based on ensuring minimum support prices for farmers and managing a Targeted Public Distribution System (TPDS) policy. The process of foodgrains management thus involves pricing policy, procurement, storage, movement and distribution. The Commission for Agricultural Costs and Prices is the recommendatory body for suggesting minimum support prices to the Government, which are meant to mitigate risks that farmers face and also to reward the efficient farmer. Procurement of foodgrains is handled primarily through the Food Corporation of India (FCI), with decentralized procurement allowed in eleven States/Union Territories. The food stocks are maintained by the Government of India in order to meet prescribed Minimum Buffer Stock norms, monthly releases for supply through Targeted Public Distribution System and welfare schemes, meet emergent situations and for market intervention to help moderate the open market prices. In order to make foodgrains accessible to the population throughout the country, Food Corporation of India has been entrusted the responsibility to ensure efficient co-ordination and monitoring of the movement of foodgrains from surplus to deficit regions, proper storage and close liaison with Railways, handling and carriage contractors alongwith the State Governments. Distribution of foodgrains is managed through a Targeted Public Distribution System (TPDS) involving a network of around 4.92 lakh Fair Price Shops (FPS) throughout the country and the State Governments are responsible for identification of beneficiaries, issue of ration cards and distribution of foodgrains to the beneficiaries through Fair Price Shops.

[Sl. No. 1]
Para No. 187 of 73rd Report of PAC
(Lok Sabha)

Action Taken by the Government

The observation of the Committee is a statement of facts and requires no action.

[File No. 166 (9)/2008-Py.I]

Observation/Recommendation

The Performance Audit of 'Management of Foodgrains' and the Committee's examination of the issues raised by Audit has revealed very significant deficiencies and lapses in the implementation of the Government's food management policy. There were large inefficiencies in procurement of foodgrains with quantified financial effect of Rs. 1310.30 crore and several instances of reimbursement of excessive statutory levies and non-statutory charges to State Governments, comprising procurement incidentals amounting to Rs. 2005.61 crore. Glaring lapses were noticed in the distribution of foodgrains, which affected the achievement of food security in the country. Rampant irregularities came to the fore in identification of Below Poverty Line and Antyodaya Anna Yojana beneficiaries, including lacunae in the identification process and issue of ration cards, failure to weed out ineligible/bogus beneficiaries and issue of ration cards to ineligible beneficiaries. Large scale diversion of foodgrains from the TPDS was prevalent in several States. Foodgrains was distributed at lower than the prescribed scale of issue by 4kg to 25kg in several States/Union Territories. The actual arrangements for quality control, monitoring and inspection in the operation of TPDS were also found to be largely inadequate.

[Sl.No.2]
Para No.188 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

Sporadic cases of inefficiencies brought out to the notice of the Department by Audit in Para No. 5.2.1 and 5.2.2 of Report No. 16 (Civil) of 2006 of C&AG have been referred to the State Governments and the FCI and replies have been received from most of the State Governments. A comprehensive ATN was sent to the CAG. In its vetting comments, C&AG has sought details on a few cases of inefficiencies for further appreciation of the PAC. Review ATN is being prepared on the basis of information received from State Governments. However, it may be stated that reimbursement of incidentals is done after detailed examination at several stages and finalizaiton of accounts is being done after receipt of audited accounts of the State Governments.

The following measures have been taken to strengthen the TPDS:

- (i) Since most of the action points to improve the PDS falls in the domain of State Governments, they are being addressed on a regular basis to take effective steps.
- (ii) Based on the evaluation report of TPDS by PEO & ORG MARG received in 2005, a 9 Point action plan which was prepared in 2006, is being implemented by the State and UT Government. Department of Food & Public Distribution is continuously reviewing the progress of implementation of 9 Point action Plan. Matter has been taken up with the State & UT Government at the level of Minister of CA, F&PD and Secretary (F&PD) for a strict action to eliminate diversion and leakages under the TPDS.

State & UT Governments have reported reduction in the diversion and leakages of foodgrains under TPDS through:—

- (a) elimination of bogus ration cards,
- (b) introduction of coupons/bar coded coupons in some States,
- (c) allocation of Fair Price Shops to Women's Self Help Groups, and
- (d) door delivery of foodgrains upto Fair Price Shops.
- (iii) Concurrent evaluation of the functioning of TPDS has been taken in 26 States/UTs by NCAER and IIPA. The first report of NCAER for 6 States has revealed improvement in the functioning of TPDS as compared to earlier evaluation made by PEO and ORG MARG.
- (iv) A revised Citizens Charter has been issued in July, 2007 for adoption and implementation by the States/UTs Government for facilitating use by Citizens of provisions of RTI Act.
- (v) An Awareness cum Publicity Campaign on TPDS is being taken up as a part of the Planned Scheme on strengthening of TPDS.
- (vi) A road map for reform in States and UTs and enforcing it by reducing allocations to States & UTs in case of non-compliance will be prepared and implemented.
- (vii) Village level Committees have been constituted who will certify arrivals of foodgrains as well as distribution of the same by FPS.
- (viii) Emphasis is being laid on removal of ineligible beneficiary or bogus cards. As a result of this initiative, more than 96 lakhs of ration card have been cancelled.

[File No. 166 (9)/2008-Py.I]

Observation/Recommendation

The Committee note that the Programme Evaluation Organisation of the Planning Commission had also made the following assessment about the TPDS:—

- (i) Implementation Targeted Public Distribution System was plagued by targeting errors, prevalence of bogus cards and unidentified households;
- (ii) though the off-take per household had shown some improvement under Targeted Public Distribution System, yet only about 57% of Below Poverty Line households were covered by it;
- (iii) Fair Price Shops were generally not viable because of low annual turnover and they remained in business through leakages and diversion of subsidized grains;

- (iv) Leakage and diversions of subsidized grains were large and only about 42% of subsidized grains issued from the Central Pool reached the target group;
- (v) Over 36% of the budgetary subsidies on food was siphoned off from the supply chain and another 21% reached the Above Poverty Line households; and
- (vi) Cost of income transfer to the poor through Public Distribution system was much higher than that through other modes.

[Sl. No. 3]
Para No. 189 of 73rd Reprot of PAC
(Lok Sabha)

Action Taken by Government

It may be stated the PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of foodgrains, etc. The responsibility of effectively distributing the same to the ration cardholders through the network of Fair Price Shops (FPSs) lies with the State Governments. The operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards to them, supervision over and monitoring the functioning of FPSs rest with the State Governments.

Review of TPDS functioning is a continuous on-going process. To overcome the shortcomings pointed out by PEO (Planning Commission) and ORG Marg reports, a 9-points Action Plan was formulated to be implemented by State/UT Governments. A copy of the 9-points Action Plan is annexed (**Annexe-I**). The Department of Food and Public Distribution is continuously reviewing progress of implementation of the 9-point Action Plan. Secretary, Government of India has been taking it up with Chief Secretaries of States and UT Governments, and Minister of Consumer Affairs, Food & Public Distribution has written to Chief Ministers drawing their personal attention for taking strict action to eliminate diversion and leakages under the TPDS. State & UT Governments have reported reduction in diversions and leakages of foodgrains under TPDS through:—

- (a) elimination of bogus ration cards,
- (b) introduction of coupons/bar coded coupons in some States,
- (c) allocation of Fair Price Shops to Women's Self Help Groups, and
- (d) door delivery of foodgrains to Fair Price Shops.

It may be mentioned here that, as recommended by the Committee, while reviewing functioning of TPDS, advice of experts is also taken.

As a part of continuous monitoring and review of TPDS operation, experts like NCAER have been engaged to evaluate performance of TPDS and suggest corrective measures for rectifying the problems noticed. International agencies like FAO do not seem to have any experience of operating a PDS like in our country.

Concurrent Evaluation of TPDS has been undertaken in 26 States & UTs to assess extent of improvement as a result of various steps initiated by the Government for improving TPDS, after detailed review of TPDS functioning based on earlier evaluation studies.

In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001. In para 1 of Annex to the PDS (Control) Order, 2001 *inter-alia* it has been provided that (i) Gram Sabhas shall finalise the list of beneficiaries belonging to BPL and Antyodaya categories drawn up by the designated authority in respect of the area under their respective jurisdiction. (ii) Where there are no Gram Sabhas, the local representative bodies shall finalise the list of beneficiaries belonging to BPL and Antyodaya categories within their respective jurisdiction. (iii) The designated authority of the State Government or the local representative bodies including Gram Sabhas and Gram Panchayats which have been entrusted with the task of identification of beneficiaries, shall verify and certify the information in the prescribed proforma for BPL and Antyodaya families.

Further para 4(3) of the Annex to PDS (Control) Order, 2001 stipulates that:—

- (i) the designated authority of the State Governments shall ensure delivery of one copy of allocation order made to the fair price shop simultaneously to Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shops by the concerned State Government, and
- (ii) Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shop by State Governments shall display the stocks of essential commodities allotted during the month to the fair price shops on a notice board outside their office.

To make vigilance machinery of TPDS functional, the Department has been taking action as follows:—

- (a) Detailed guidelines were issued by the Department in June, 1999 for greater involvement of Panchayati Raj Institutions (PRI) in the functioning of TPDS and to bring in a more transparent and accountable system of distribution as a measure of social audit. As a strategy to reduce diversion at village level, greater emphasis is being laid on involvement of village level Panchayat functionaries/ULB members in maintaining vigil over FPSs.
- (b) As requested by the Committee, the Department has initiated action to introduce social audit of TPDS and to replicate healthy initiatives in a decentralized format.

As a measure of social audit, in order to ensure increased transparency in functioning of FPSs, the State and UT Governments have been directed in March, 2008 to introduce monthly certification by Village Panchayats/Vigilance Committees/Urban Local Bodies/Self Help Groups for delivery of foodgrains to FPS and their distribution to ration card holders. Such a certification of actual delivery of foodgrains to Fair Price Shops in time

and their distribution to ration card holders is also expected to streamline functioning of Vigilance Committees at Fair Price Shop level.

- (c) In order to make TPDS operations transparent and amenable to RTI Act provisions, a revised model Citizens' Charter was issued in July, 2007 for adoption and implementation by State Governments/UT Administration for facilitating use by citizens of provision of RTI Act, 2005 in relation to functioning of the TPDS. Similarly, for greater public scrutiny of the TPDS functioning through the provisions of RTI Act, 2005, publicity cum awareness campaign on TPDS is being taken up as a part of the Plan scheme on strengthening of TPDS. Similarly as part of capacity building of village level functionaries, members of vigilance committees at various levels and Departmental officers/staff, this Department is continuing the Plan Scheme on Training Research and Monitoring. With the above measures, local level vigilance of TPDS by ration card holders is being sought to be put in place. The Department has noted the recommendations of the Committee and would endeavour to take further action. However, it is to be mentioned that the vigilance machinery of TPDS can be strengthened only when State Governments and UT administrations take this task seriously.

In order to take help of information technology in better monitoring of TPDS operations, a pilot project on computerization of TPDS operations at National/States/ Districts and Block levels is being undertaken during 11th Plan Period. For this the NISG has been appointed as project consultant, it is studying processes and systems of TPDS functioning in 4 pilot States to prepare detailed project report. Similarly, in order to track movement of vehicles carrying TPDS commodities, piloting of GPS has been taken up in three States. Piloting of smart cards (with biometric features) based delivery of TPDS commodities is planned in Haryana and Chandigarh

In order to check diversion of wheat into open market, distribution of wheat flour (*i.e. atta*) instead of wheat is being emphasized under a revised policy, issued in January, 2008.

Vetting comments of Audit

Result of the 9 point action Plan may be furnished to PAC for their appreciation. Findings of concurrent evaluation of PDS in 26 States may be furnished to PAC for their appreciation

Further reply

On implementation of the 9-Point Action Plan, as per reports received upto 30.9.2008, the following results have been achieved:-

(i) Review of BPL/AAY list	: Thirty State & UT Governments have reviewed the BPL & AAY lists.
(ii) Ensure leakage free distribution of foodgrains by taking action against the guilty	: Twenty-nine State & UT Governments have taken steps to stop diversions and leakages and punish the guilty.

(iii) Involvement of PRI Members	: Twenty four State & UT Governments have PRI Members in Vigilance Committees in relation to functioning of TPDS.
(iv) Display of BPL/AAY list on the FPS	: Twenty nine State & UT Governments have displayed BPL/AAY lists at FPSs.
(v) District and FPS wise allocation of foodgrains put on website as public scrutiny	: Eighteen State & UT Governments have displayed information about allocation of foodgrains on the website.
(vi) Door step delivery of foodgrains	: Sixteen State & UT Governments arranged door step delivery of foodgrains.
(vii) Timely availability of foodgrains at FPS	: Thirty one State & UT Governments have made arrangements for timely availability of foodgrains at FPSs.
(viii) Training of Members of FPS level Vigilance Committee.	: Twenty-five State & UT Governments arranged training/trained Members of FPS level Vigilance Committee.
(ix) Step taken towards Computerization of TPDS operations	: Government of India will be implementing a Central Sector Scheme during XI Five Year Plan for computerization of PDS operations, with an outlay of Rs. 376 Cr. The DPR is being drawn up in association with NISG and EFC proposal will be circulated during 2008.

Concurrent Evaluation Study was awarded on TPDS for twenty six States to NCAER & IIPA. NCAER was to conduct study in twelve States whereas IIPA was awarded study for fourteen States. NCAER has submitted its study report for all the twelve States. Report for the six States namely Assam, Mizoram, Bihar, Uttar Pradesh, Chhattisgarh & Rajasthan has been accepted by the Government. Copy of summary of findings is given in **Annexe-IX**. Report for another six States Kerala, Maharashtra, Uttarakhand, Madhya Pradesh, Jharkhand & Delhi is under examination. IIPA has not yet submitted its final report for the fourteen States in which the study was awarded to them.

[File No. 14(3)/2006-PD.III]

Observation/Recommendation

The examination of the policy regarding the procurement of foodgrains revealed that farmers were to get remunerative prices for their produce so as to reduce fluctuations in grain prices, avoid distress sale of foodgrains and to build up a stock of foodgrains, which would ensure supply of subsidized foodgrains to the needy and poor through

the Targeted Public Distribution System and other welfare schemes like the Mid-day Meal Scheme and Food for Work Programmes. In the system that has been prevalent, foodgrains procurement was handled primarily through the Food Corporation of India in association with the State Governments and their procurement agencies. However, with the objective of reducing over-dependence of the State Governments on the Food Corporation of India for ensuring availability of locally produced foodgrains, the Government in 1997-98 introduced the Scheme of Decentralized Procurement of foodgrains. Under this Scheme, the States/Union Territories themselves procured foodgrains, retained the quantity required for Public Distribution System and surrendered the rest to Food Corporation of India for the Central Pool. The Committee have been apprised that this Scheme has been implemented in eleven States/Union Territories and has been very successful particularly in increasing procurement of rice in non-traditional States. In the case of wheat, procurement in four decentralized procurement States namely, Uttar Pradesh, Madhya Pradesh, Uttaranchal and Gujarat had declined owing to increasing private purchases of wheat in these States. The Committee have been apprised that in order to increase wheat procurement by Government agencies in these States, the Ministry had initiated certain measures, which included enhancement of commission to societies/sub-agents to 2.5% of Minimum Support Price and engagement of National Agricultural Cooperative Marketing Federation of India (NAFED) to procure wheat on behalf of Food Corporation of India in Uttar Pradesh. The Ministry have also sent letters to States to ensure that private traders paid statutory levies and did not get price advantage over Food Corporation of India by not paying levies. The Committee hope that the shortfall noticed in decentralized procurement would be overcome by the corrective measures that have been initiated by the Ministry. The hindrances faced by the States which were implementing Decentralized Procurement Scheme ought to be addressed by the Ministry in order to realize the objectives of the Scheme. Necessary instructions should be issued by the Ministry in this regard to the concerned States. The Committee would also like to emphasise that there should be adequacy in Cash Credit limits sanctioned by Reserve Bank of India to the State Governments, their expenses be reimbursed *in toto* and the subsidies be released by the Central Government timely.

[Sl. No. 4]
 Para No. 190 of 73rd Report of PAC
 (Lok Sabha)

Action Taken by Government

The State Governments that adopted the decentralized procurement scheme had requested for adequate attention on the following issues:—

1. Sanction of adequate Cash-Credit Limits in time by the Reserve Bank of India.
2. Full reimbursement of expenses and timely release of subsidy by the Central Government.

With regard to reimbursement of expenses, the following additional components of costs have been sanctioned to DCP States:—

- (i) Transportation cost from the procurement centre to the storage point and from the storage point to the milling point (in case of paddy);
- (ii) Commission to Societies at 2.5% of MSP on lines of Arhatia Commission in Punjab/Haryana;
- (iii) Payment of cost towards transportation of gunnies from railheads to procurement centers;
- (iv) Enhancement of milling rate of parboiled rice from Rs. 15 per quintal to Rs. 20 per quintal.

For effecting early payment of subsidies to the State agencies payments are released through electronic clearing.

With regard to problems faced by DCP States in sanctioning of adequate Cash-Credit Limits in time by the Reserve Bank of India, a working group constituted under the Chairmanship of Secretary, Department of Financial Services, Ministry of Finance has recommended that valuation of stocks of State Agency should be done at average acquisition cost for the first 12 months and thereafter at the highest CIP amounts the all welfare schemes for the next 2 years. However, RBI is of the view that timely and speedy disbursal of food subsidy is the only solution to the problem of irregularities in the food credit account, rather than relaxation to the norms and has requested to set up effective steps for a stock audit so as to the principle of valuation of stocks based on the closest market value as a long term solution to the issue.

Minister of Agriculture, Consumer Affairs, Food and Public Distribution has also written in this regard to Finance Minister requesting him to advise the RBI to revise the system of valuation of stock as recommended by the Working Group constituted under the Chairmanship of Secretary, D/o Financial Services. D/o Financial Services has also written a letter to RBI wherein it has been requested that RBI may narrow down the difference in valuation principle of stocks of FCI and that of State Agencies to make it at par with FCI's valuation of stock at least for a period of 12 months from the date of procurement. In order to sort out the difficulties of DCP States, D/o Food and PD is pursuing the matter with RBI regularly.

(File No. 166(9)/2008-Py.I)

Observation/Recommendation

Under the Scheme of Decentralised Procurement, the States/Union Territories themselves procured foodgrains, retained the quantity required for Public Distribution System and surrendered the rest to Food Corporation of India for the Central Pool. The Scheme intended to eliminate over-dependence on Food Corporation of India for Public Distribution System supplies of foodgrains, to free them from the task of procurement and to reduce the subsidy burden, as the economic cost of the States/Union Territories was expected to be lower than that of Food Corporation of India. However, it has been noticed that the economic cost of Decentralised Procurement

was higher in many cases than the corresponding cost of FCI's operations in the same State. There were also instances of avoidable handling charges by way of infructuous movement of foodgrains from procurement centers to FCI godowns and again from the godowns to their storage point, leading to payment of avoidable incidental charges to the State Governments. In the light of the higher costs and lower procurement reported under the Decentralised Procurement Scheme, the Committee desire that the Ministry would do well to re-visit the Scheme with a view to optimising both costs and extent of procurement.

The examination of the Decentralised Procurement Scheme revealed that there was a declining trend in wheat procurement in Rabi Marketing Season 2007-2008. The lower procurement was attributed to low market arrivals and high private participation. Further, since this was less than the requirement for the Targeted Public Distribution System and the Welfare Schemes, recourse had to be taken to import wheat to meet the requirements. The Committee feel that such a scenario would not have arisen if the procurement by FCI was prompt and proactive and procurement under Decentralised Procurement Scheme was effective. The Committee would therefore recommend that the Ministry should critically examine the reasons for the shortfall in procurement of wheat and apprise the Committee of the corrective measures for proactive procurement taken by Government agencies including the policy changes initiated thereupon.

In the context of shortfalls in procurement, the Committee apprehend that such shortfalls, if not promptly attended to, would affect the buffer stocks of the country and consequently put the food security of the nation at a risk. Since shortfalls in procurement cannot always be made up through imports, the Ministry, may, if necessary, have a re-look at the present procurement systems and bring about requisite changes in order to increase the efficiency of procurement. In this context, the Committee are of the view that the Government may consider formulating a comprehensive National Food Security Policy, enunciating the strategies to be followed for augmenting foodgrains production in the country, particularly in a scenario when global production of foodgrains is on the decline and the prices are on the rise. It is imperative that the Government takes urgent steps to cushion the country from the impact of global food situation. The impact of global climate changes may also be factored in while planning our policy.

[Sl. No. 5]
Para No. 191 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

Economic cost of FCI is fixed on All India basis and as such cost of individual operations of FCI in a State is not comparable to that of State. Some of the FCI's operations are booked under distribution cost as compared to State where these operations are booked under acquisition cost. Also the multiple handling of foodgrains in States are sometimes necessary as State deliver foodgrains to FCI in surplus districts and lift foodgrains from the FCI in deficit districts.

The Ministry is continuously striving to bring down the cost of procurement and distribution operation of DCP States as well as that of FCI. Ministry is insisting on

strict auditing of DCP States operations so that only the genuine expenditure incurred by the States are reimbursed and any avoidable expenditure is not allowed. The Government has also been emphasizing upon the State Governments to finalize their accounts of previous years so that their economic cost can be finalized.

In the light of constant monitoring of developments under DCP like utilizing Central Pool stocks for the schemes of the State for supplying subsidized foodgrains, apart from TPDS and Other Welfare Schemes, the MOUs signed earlier are being amended in order to make the DCP operations more effective. This Ministry shall continue the monitoring for continuous improvement of both cost and extent of procurement.

Over and above several measures taken to maximize wheat procurement in the Central Pool in RMS 2008-09, specific measure to encourage wheat procurement in DCP States such as Commission to Societies/Sub-agent @ 2.5% of MSP has been permitted for U.P., M.P., etc. on the lines of Arhatia Commission in Punjab and Haryana. Further, NAFED has been permitted to procure wheat on behalf of FCI in M.P. and Gujarat. State Government including State undertaking DCP Scheme have been instructed to closely monitor mandi arrivals, ensure that all the taxes/levies are paid by the private companies/traders when they move foodgrains from the State.

The details regarding production of wheat, target fixed for wheat procurement in RMS 2008-09 and actual procurement of wheat during RMS 2007-08 and 2008-09 is as follows:—

	(in lakh tonnes)			
	Estimated production (2007-08 crop)*	Estimated procurement in RMS 2008-09	Actual procurement in RMS 2007-08	Actual procurement in RMS 2008-09 (as on 12.8.08)
DCP States				
Uttar Pradesh	254.32	20.00	5.46	31.23
Madhya Pradesh	62.67	3.00	0.57	23.37
Gujarat	37.64	2.00	0.02	4.15
Uttarakhand	7.07	1.00	0.00	0.84
Total	361.70	26.00	6.05	59.59
Others	422.31	127.00	105.23	166.14
Total	784.01	153.00	111.28	225.73

*As per 4th Estimates of DAC (July, 2008)

As may be seen, 59.59 lakh tonnes of wheat has been procured by DCP States as on 12.8.2008 against 6.05 lakh tonnes procured during RMS 2007-08. Procurement of wheat in DCP States of UP, Gujarat and MP has been remarkably higher as compared to previous year and it constitutes 26% of the overall wheat procurement in 2008-09. Wheat was never procured in Gujarat in previous years and it's a success of DCP operation that Gujarat has also contributed to wheat procurement.

Since 225.72 lakh tonnes of wheat have been procured in current RMS 2008-09 against the requirement of 150 lakh tonnes for TPDS and other welfare schemes, there is no need to import wheat in 2008-09.

In order to increase production of wheat, rice and coarse cereals, Centrally Sponsored Integrated Cereals Development Programme (ICDP) is in operation from October, 2000. The Government has also initiated two schemes for increasing foodgrains production and improving the agricultural growth in the country. These are (i) National Food Security Mission (NFSM) and (ii) Rashtriya Krishi Vikash Yojana (RKVY). NFSM has been launched in the country from 2007-08. It aims at increasing the production of rice by 10 million tonnes by the end of the Eleventh Plan (2011-12). This alongwith the Rashtriya Krishi Vikash Yojana will improve the supply position of foodgrains including wheat.

(File No. 166(9)/2008-Py.I)

Observation/Recommendation

The effectiveness of procurement is invariably linked to the quantum and nature of agricultural production including land use and cropping patterns across the country. Changes in cropping patterns like shift towards commercial crops would thus have to be studied for their impact on procurement for the TPDS and its implications for food security in the country. Therefore, close co-ordination and synergy between the Ministries of Food and Agriculture is called for in order to ensure that yields of food crops are adequate and agricultural production is sustained to keep pace with the ever growing demands of the nation. The Committee desire that the Government through investments in vital agricultural infrastructure, credit support and the use of latest farm techniques should focus on accelerated foodgrains production on a sustainable basis which would help the nation to achieve food security in a realistic timeframe. For this purpose, it is imperative that Government must revamp and gear up their Department of Agricultural Research and Extension, particularly the Indian Council of Agricultural Research (ICAR). The Committee's Observations/Recommendations in their 40th Report (14th LS) on the Performance Review of ICAR, its various projects and their impact on productivity should be taken note of in this context. The Committee would like to emphasise that for ensuring food security and for making farming sustainable, new frontiers of research in agriculture should be supported and the gap between academic agricultural research and its effectiveness on the field should be bridged.

[Sl. No. 7]

Para No. 193 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

The Indian Council of Agricultural Research (ICAR) has intimated that ICAR with the State Agricultural Universities in the country is undertaking the research activities in several foodgrain crops which include cereals and pulses. In crop improvement programme the research activities includes use of conventional and innovating technologies of frontier areas such as biotechnology, genetic engineering, molecular biology, bio-informatics etc. for the development of suitable varieties and hybrids for

different agro-ecologies. Similarly several matching crop production and protection technologies have been developed and are being developed considering the need of the time. Low cost technologies have been developed which includes use of organics, Resource Conservation Technologies, Integrated Pest Management modules and varieties having better water and nutrients use efficiency.

It has further been informed that ICAR is involved in providing technical support in National Food Security Mission, a Centrally sponsored scheme which has been launched by DAC from 2007-08 with an objective to enhance the production of rice, wheat and pulses by 10, 8, 2 million tonnes respectively during the XI Plan period. ICAR is providing details about the newly released varieties/hybrids along with the production and protection technologies in implementation of this scheme. Further, ICAR is also involved in production of breeder seed as per requirement.

The Council has provided sufficient funds for the scheme related to rice, wheat and pulses during the XI Plan. Some of the highlights and achievements of rice, wheat and pulses are as under:—

Rice:

- Seven new rice hybrids namely RH 204, Suruchi-5402, Pant Sankar Dhan 3, Narendra Usar Sankar Dhan 3, DRRH 2, Rajlakshmi and Ajay with higher heterosis were released during the period 2002-2006.
- Using molecular markers three BLB resistance genes xa5, xa13, xa21, have been pyramided in the background of BPT 5204 and Pusa Basmati.
- Pusa Sugandh 2, Pusa Sugandh 3, Pusa Sugandh 5, Vasumatiu, Mugand Sugandh and the first superfine grained aromatic rice hybrid Pusa RH 10 were released for cultivation.

Wheat:

- Eight new varieties PBW 7, PBW 550, HI 1544, HI 8663 for timely sown conditions and DBW 16, RAJ 4083, HD 2833 and HD 2932 for late sown condition have been released.
- Diversification of rice-wheat system by introducing short duration crops like potato/vegetables/peas in between early rice and late sown wheat and introducing green manuring of green gram crop during the turn around period after wheat harvest have been found more remunerative and also helpful in increasing soil fertility. This also resulted in curtailing the problem of Phalaris minor weed.

Pulses:

- Six varieties of chickpea, 8 varieties each of pigeon pea and mung bean, 3 of urdbean, 4 of fieldpea, 3 each of rajmah, lentil and arid legumes were developed suitably for different agro-ecological zones.
- First CMS based pigeonpea hybrid GTH 1 released for Gujarat and short duration varieties like mungbean (IPM 89-125), urdbean (WBU 109) and fieldpea (Adarsh and Vikas) have been developed.

- Rice-rajmash-mungbean for upland conditions and rice-wheat mungbean under lowland condition proved more productive under crop intensification.
- An upgraded prototypes of IPR mini dal mill has been developed that avoids wear and tear.

(File No. 166(9m)/2008-Py. I)

Observation/Recommendation

The personnel of FCI looking after quality control are responsible for ensuring the requisite quality of the procured foodgrains as per the prescribed specifications. However, it has come to the notice of the Committee that there was widespread acceptance of sub-standard rice by the designated FCI officials in Punjab and Haryana regions. There were significant shortfalls in checking and inspection of depots by the designated officials of FCI. Whatever inspections were done appeared to be perfunctory and the overall performance of the quality control officials found to be far from satisfactory, as was ascertained during the visits of the Inspection squads of the regional offices of FCI. It is thus evident that FCI needs to pull up its quality control wing and immediately follow-up each quality related complaint scrupulously. Action should also be initiated against the officials found to be negligent. The Committee should be apprised of the steps taken by FCI in the matter.

[Sl. No. 9]
Para No. 195 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

Procurement by FCI:

There is a laid down mechanism to ensure that foodgrains are procured by FCI strictly as per the prescribed specifications by means of checking and inspections of foodgrains from Technical Assistant level to Executive Director level for each and every procuring region including Punjab and Haryana. Besides, there is also a mechanism of super-checks and inspection by the officers of FCI Headquarters including its Vigilance Division to ensure the quality of procured foodgrains. Further, before the onset of Kharif and Rabi Marketing Seasons every year, FCI Headquarters circulates a well defined set of instructions for compliance to each and every level of its field offices.

Procurement by State Governments/their agencies:

State Governments and their procuring agencies are also engaged in procurement of foodgrains under Price Support Operations either on behalf of FCI or independently under Decentralized Procurement Scheme. As the finances of Government of India are involved in procurement operations, it becomes imperative on the part of the procuring agencies (FCI and State agencies) to adhere to quality norms fixed by the Government of India and facilitate inspection by the officers of the Quality Control Cells of Government of India and FCI.

Keeping in view the need to streamline the procurement of foodgrains under Decentralized Procurement Scheme guidelines for the State Governments and their agencies had been formulated and issued by this Department on 9.10.2002. These guidelines clearly emphasize inspection of the stocks procured by State Governments/their agencies by the FCI. A copy of the guidelines is enclosed (Annexe-II). To ensure that foodgrains are procured strictly as per uniform specifications and regular inspection of stocks by FCI is facilitated, these instructions have again been reiterated on 19th September, 2007 (Annexe-III).

Despite these checks, stray incidents of acceptance of beyond specification stocks have been reported which cannot be avoided in view of the volume of procurement operations within a short span of time. Such stray incidents are also attributable to shortage of quality control staff and officers at the purchase as well as supervisory level in FCI; besides in some cases to malafide intention of procuring officers/officials. Officers/officials responsible for such lapses are dealt with by the FCI sternly. There is a mechanism to punish the defaulters by initiating departmental vigilance action, which not only allows to correct the defaulting officials/officers but acts as a deterrent to others.

During the crop year 2004-05, instances where sub-standard foodgrains were procured and despatched by FCI officials in Punjab region have come to notice. 480 quality complaints in respect of a quantity of 5.65 lakh MTs of rice despatched from Punjab were received from various consignee regions during KMS 2004-05.

FCI had initiated disciplinary action against 12 category-I officers, 74 category-II officers and 150 category-III officials. 2 category-I officers were removed from the service and on others, penalty was imposed. 11 category-II officers and 42 category-III officers have been compulsorily retired under FCI Staff Regulations.

FCI Punjab Region had taken following steps to deal with the situation during KMS 2005-06:—

- (i) Punjab Region procured a quantity of 85.82 lakh MTs of rice during KMS 2005-06 and Area Managers had inspected 290431 MTs rice (3.37% of total procurement) in their respective areas in comparison to prescribed norms of 171650 (2%), which is more by 118781 MT than prescribed norms. AGMs (QC) of the Punjab Region had to inspect 858248 MT rice (10% of procurement) as per prescribed norms but total inspection done by them was 942302 MTs (10.97%) which was 84054 MTs more than the prescribed limit.
- (ii) Dy. General Manager (QC) and General Manager of the region had also conducted inspections as per norms in spite of their other official administrative obligations.
- (iii) The Regional Office, Punjab as a preventive measure had constituted 8 vigilance squads to oversee the rice receipt operations in the region. The vigilance squad had inspected 29,624 MTs of rice and found 1275 MTs as BRL for which the cases were sent to Vigilance Branch for taking further action against the delinquents.

As a result of these measures, the cases of quality complaints recorded in the consignee regions were only for 19601 MTs of rice, which is only 0.23% of the total stocks procured in Punjab region during KMS 2005-06. These quality complaints were sent to Vigilance Branch of FCI for taking action against the defaulters. Similar steps had been taken in respect of Haryana Region also.

(File No. 40-11/2006-QCC)

Observation/Recommendation

It has been revealed that during the period 2000-04, FCI incurred a total loss of Rs. 556.88 crore on account of transit shortages of foodgrains, which aggravated the subsidy burden of the Government. The factors cited for transit losses in foodgrains were mainly pilferage and theft en-route, driage, multiple handling, weak texture of gunnies, spillage through wagon holes etc. The Committee are surprised to learn that FCI had not set any norms for transit and storage losses. Further, FCI had also incurred storage losses of Rs. 842.31 crore during the period 1999-2004. No norms have been fixed even for these losses despite the Ministry's instructions and the stipulation in FCI's Quality Control Manual. Huge number of cases involving transit and storage losses amounting to several crores of rupees remained pending for investigation and disposal. The Committee are distressed to note that FCI has not been paying proper attention to controlling transit and storage losses in the movement of foodgrains. Negligence on the part of officials responsible for this may be investigated. In case it is true that tolerable levels of such losses have not been laid down, the Committee would urge the Ministry to get clear-cut norms/guidelines formulated in this respect. The latest techniques/modes of transportation also require to be adopted for the movement of foodgrains so that the losses occurring due to avoidable/preventable factors could be minimized.

The Committee would also like the Ministry to enquire into reported instances of losses arising out of smuggling of foodgrains out of the country to neighbouring countries like Nepal and Bangladesh and apprise the Committee about the findings.

[Sl. No. 10]
Para No. 196 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

1. The Department of Food and Public Distribution and FCI have been constantly monitoring the transit and storage losses. All field functionaries of FCI have also been advised to closely and constantly monitor storage and transit losses, review the trend of such losses in the monthly meetings and take necessary corrective/remedial measures to reduce the same. The overall position of such losses is also being reviewed by CMD, FCI regularly. Concerted efforts made at all levels for reducing/containing S&T losses *i.e.* by taking necessary corrective measures have successfully brought down the percentage of such losses over the years.

2. Wherever negligence or lapse on the part of FCI officials detected leading to storage and transit losses, disciplinary action is initiated by FCI. From 2005 onwards,

the details of the disciplinary cases initiated and penalties imposed in cases involving storage and transit losses are as under:—

Year	No. of cases initiated during the year	No. of officials involved	Cases finished	Penalty imposed (Amount in Lakhs of Rupees)*
2005	1002	5391	997	98.47
2006	1364	8014	1101	62.61
2007	1038	4729	388	83.77
2008	72	72	25	4.14
up to March				
Total	3476	18206	2511	248.99

3. Apart from the recoveries, there are various kinds of stringent penalties which have been imposed for the various lapses including storage loss and transit loss cases. The details of the same are as under:—

Sl. No.	Nature of Penalty imposed	2005	2006	2007	2008 (up to April)
(i)	Dismissal/removal/compulsory retired	44(1)	79(3)	50(-)	9(-)
(ii)	Reduction in rank	30(-)	30(-)	46(-)	6(-)
(iii)	Reduction in time scale of pay	313(2)	318(2)	274(4)	108(-)
(iv)	Withholding of increment	118(2)	216(1)	195(1)	21(-)
(v)	Recovery from pay of the loss caused to FCI	886(2)	1731(23)	1821(35)	548(2)
(vi)	Withholding of promotion	5(-)	2(-)	66(-)	0(-)
(vii)	Censure	307(6)	382(6)	358(16)	218(3)
Total		1703(13)	2758(35)	2816(56)	910(5)
(viii)	Warning issued/exoneration/ cases closed	248(5)	323(4)	400(23)	126(1)
Grand Total		1951(18)	3081(39)	3216(79)	1036(6)

(Note: Figures in bracket indicate penalty imposed on Category-I Officers out of the total figures indicated above).

From the above, it is evident that FCI management has been taking strict action against officials responsible for storage and transit losses.

4. The possibility of laying down acceptable levels of transit and storage losses has been examined in detail by FCI and the Department. Various Committees have been formed to go into this issue. In January 2004, M/s RITES was also entrusted with a study on the transit losses of foodgrains. However, after examining the recommendations

made by various Committees, it has been decided that the norms for storage and transit losses should not be fixed as the losses vary from place to place, grain to grain, storage period, natural phenomenon like climatic conditions, etc. Further, in case an acceptable limit for storage and transit losses is conveyed to the field offices of FCI, there is a possibility of misuse of this provision and theft/pilferage may be resorted to by the staff as long as the total losses are within the stipulated limits. Therefore, instead of laying down acceptable limits for these losses, FCI has continued the existing system of investigation into each and every case of storage and transit loss. FCI has now again appointed an independent Consultant in December, 2007 for undertaking a scientific study on norms of storage and transit losses. The report of the consultant has not yet been received by the FCI.

However, it has been the constant endeavour of the Department to minimize storage and transit losses and FCI has been advised to minimize these. Accordingly, in the MoUs signed by the Department with FCI, stiff targets of storage and transit losses at the aggregate level are laid down in order to evaluate its efficiency. In the MoU signed by the Department with FCI for 2008-09, target of 0.18% for storage losses and 0.40% for transit losses has been laid down.

5. In order to minimize storage and transit losses by adopting the latest techniques/ mode of transportation, a National Policy on Bulk Handling, Storage and Transportation of foodgrains was formulated in June, 2000. Under this policy, integrated bulk handling and transportation facilities are to be created at identified locations in procuring and consuming areas through private sector participation on Build-Own-Operate (BOO). At present, two locations have been identified and M/s Adani Agri Logistic Ltd. has been formed as Special Purpose Company (SPC) for the project and two Base Depots at Moga and Kaithal having 2 lakh MT capacity each have been commissioned and FCI has started using these silos. During the current Rabi marketing season 2008-09, 2 lakh MT of wheat has been stored in each silo in Moga and Kaithal. Based on the performance of the pilot project, this bulk handling, storage and transportation model decision regarding its replication in other circuits would be taken.

6. The reported instances of smuggling of foodgrains out of the country to the neighbouring countries are not pertaining to the stock held by FCI and therefore, there is no question of losses. However, as smuggling of foodgrains decreases their net availability in the country, the Department has been taking up this issue with Home Ministry, Govt. of India and also with the concerned State Governments to check smuggling of foodgrains.

Vetting comments of Audit

Findings of the consultant report may be furnished to PAC.

Further reply

It has been informed by FCI that the Consultant's report on norms for storage and transit losses of foodgrains is expected by December, 2008.

(File No. 12-1/2008-M.II)

Observation/Recommendation

The Public Distribution System is built around the network of 'Fair Price Shops' and these distribution centers are under the purview of the State Governments. State-level Departments of Food and Civil Supplies regulate networks of ration shops within their jurisdiction and are responsible for allocating licenses to the private traders who operate the shops. The Committee have found that there were numerous irregularities in the way Fair Price Shops operated. These included non-display of stock position, beneficiaries attached and scale of ration allowed, acknowledgement from beneficiaries by way of signature/thumb impressions not been obtained, improper accounting of foodgrains issued and irregular maintenance of requisite registers. With regard to these deficiencies, the Committee have been assured that the field machinery of the State and Union Territory Governments are in place to ensure compliance by the Fair Price Shop owners. The Ministry have suggested that these deficiencies could be eliminated or minimised if the Vigilance Committees at the Fair Price Shops level functioned actively and if there was involvement of Panchayati Raj Institutions in the Vigilance Committees. Further, the Ministry have sought to assure that the enabling environment for taking requisite action had been provided in the form of Public Distribution System (Control) 2001, guidelines and other operational prescriptions. The Ministry's explanation notwithstanding, Audit sample survey in diverse States like Manipur and Delhi has revealed major lapses with regard to the enforcement of rules and procedures and compliance by the Fair Price Shops (FPS). Several instances of the beneficiary households receiving foodgrains at double the stipulated prices were noticed. Neither were the foodgrains issued according to the prescribed scale. A number of households complained of erratic supply by the FPS. Furthermore, significantly large number of beneficiaries complained of poor quality of the foodgrains issued. It was also common practice that the FPS owners did not care to observe the prescribed timings for opening of shops, which resulted in avoidable rush and long queues. The measures stated to have been initiated by the Ministry could thus be construed as merely routine or ritualistic without the intended outcomes. The Committee would therefore recommend that the vigilance mechanism of transporting grains and Fair Price Shops should be made stringent with deterrent provisions operating against the offenders as well as the guilty officials. Modalities of social audit as adopted in Guidelines of Ministry of Rural Development for National Rural Employment Guarantee Act should also be harnessed to support public vigilance.

[Sl. No. 16]
 Para No. 202 of 73rd Report of PAC
 (Lok Sabha)

Action Taken by Government

It may be stated that PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of foodgrains, etc. The responsibility for effectively distributing the same to the consumers through the network of Fair Price Shops (FPS) lies with the State Governments. The operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards, supervision and monitoring the functioning of FPSs rest with the State Governments.

For making the vigilance mechanism strong for FPS, by involvement of Panchayati Raj Institutions in the functioning of TPDS, detailed guidelines were issued by this Department in June, 1999 and to bring in a more transparent and accountable system of distribution as a measure of social audit.

Further, as part of social audit of TPDS, Ministry has started monthly certification of delivery of foodgrains to Fair Price Shops and their distribution to ration card holders by a Committee consisting of Urban/Local bodies/Panchayati Raj Institutions, members of Self Help Groups and Vigilance Committee with effect from 1st April, 2008. Similarly a provision similar to those of RTI Act was made in PDS (Control) Order, 2001 to make Fair Price Shop documents accessible to citizens. Guidelines for setting up of Vigilance Committee at Village Level, Block Level, District Level and State Level have also been issued. Revised Citizen's Charter has been issued in July, 2007. Clause XI, Chapter 1 of the Revised Citizen's Charter (July 2007) also lays down the procedure for Constitution of the Vigilance Committees at all levels.

In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001. Details on PDS (Control) Order, 2001 have been mentioned in reply to paras 189, 197 and 208.

As part of vigilance action, under the EC Act 1955, the States & UT Governments are employed to take penal action for irregularities under TPDS. The State/UT Governments have been maintaining vigil over malpractices in TPDS and taking action as per law. Details of action taken under Clauses 8 & 9 of the PDS (Control) Order, 2001 by State Governments/UT Administrations during the years 2005-06, 2006-07 and 2007-08 are given in Annexure-VII.

It is to be stated here that existing provisions of the Essential Commodities Act, 1955, are already quite stringent. Therefore, what is required is their stricter enforcement by the State Government/UT Administration machinery. The Department will further emphasize upon them to improve the enforcement of Essential Commodities Act provisions, including activating Vigilance Committees.

(File No. 14(3)/2006-PD.III)

Observation/Recommendation

Another critical feature that came to the notice of the Committee was the fact that the Fair Price Shops, which were economically unviable, continued to operate without reasonable returns. Their net income in many places were less than even the income limit prescribed for BPL beneficiaries. The Committee feel that the distribution network, which totally relied on these Fair Price Shops would be put to jeopardy, if they are not made economically viable and sustainable. The Committee, therefore, desire that the Ministry in coordination with State Governments should critically review the question of viability of the Fair Price Shops so that their owners get reasonable returns. Simultaneously, steps should also be intimated against the delinquent ones who should be penalized. The Committee would also expect the Ministry to focus special attention on areas with concentration of tribal population living below the poverty line.

[Sl. No. 17]
Para No. 203 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

The subject of viability of FPS was reviewed in detail on receipt of PEO and ORG MARG reports.

To make operations of FPS viable, the Department has been taking steps. This Department has requested all States to encourage Fair Price Shops to sell non-PDS items. Similarly it has been requesting States to increase margin money paid to Fair Price Shops to make them viable. Besides this, all the State/UT Governments have been requested to adopt Gujarat and Kerala model to increase the viability of Fair Price Shops. In Gujarat the State Government is encouraging the Fair Price Shops to upgrade themselves as rural malls to increase their viability.

State Governments have been encouraging the FPS to sell non-PDS items. A statement showing additional commodities being distributed through PDS outlets other than wheat, rice, course-grains, sugar and kerosene oil (as reported by various States/UT Governments) is enclosed (Annexure-VIII). From these details, it may be seen except Bihar, Delhi, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Andaman and Nicobar Islands, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep States and UTs, in rest of States and UTs the FPSs are selling non-PDS items.

In order to focus on the poorest of the poor families in rural and urban areas, Antyodaya Anna Yojana (AYY) was launched in the year 2000 and all primitive households have been chosen to be one of the three priority groups for selection in expanded AAY (2nd and 3rd expansion) scheme. Thus the Department has been focusing on tribal population living below poverty line since 2004.

(File No. 14(3)/2006-PD.III)

Observation/Recommendation

The Committee were apprised that delay in loading and unloading of Railway wagons attracted demurrage from Railways. In respect of operations carried out on contract basis, demurrage/wharfage for delays was recoverable from contractors and in operations carried out through departmental labour, Food Corporation of India was responsible. During the examination of this issue, the Committee found that accrual of demurrage was due to non-synchronisation of working hours of Food Corporation of India with that of Railways, non-presence of labour on Sundays/Holidays, increase in loadability of wagons, decrease in free time allowed by Railways for loading/unloading of rakes from 10 hours to 9 hours and poor productivity of the departmental labour. A perusal of these reasons which had caused payment of huge demurrage charges depicts that most of them were not beyond human control and thus could be overcome by enhancing efficiency. The Committee, therefore, urge the Ministry to make efforts to ensure that the operations pertaining to loading and unloading are taken care of in such a manner that unreasonable demurrage charges could be avoided. The Ministry must also take up the matter of waiver of demurrage charges with Railways as per waiver norms governing bulk consumers. The Committee were assured that the Ministry were trying to optimize the movement of foodgrains using the linear programming Software. The Committee would like to be apprised about its implementation and how cost effective it has proved to be.

[Sl. No. 18]
Para No. 204 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

1. The demurrage charges incurred by various regions of FCI are monitored by CMD, FCI on a monthly basis and remedial/corrective action undertaken wherever possible. The Department is also regularly monitoring the accrual of demurrage charges by FCI.

The major accruals of demurrage charges take place in the North-East Zone of FCI. In order to minimize these, direct booking of Railway rakes on the broad gauge terminals in North-East zone has been started. Further, the Department and FCI have also been taking up the matter with Railway Board for improving facilities at Railway good-sheds (especially better approach roads, proper lighting, etc.), which would help in reducing accrual of demurrage charges.

2. The following steps have also been taken by FCI to bring down demurrage:—

- All Zones have been advised to investigate the reasons for rise in the demurrage charges during 2007-08.
- Zones have advised their Regions to watch for on run position of day to day rake movement from the Railways freight operation information system. Immediate arrangements should be made to post sufficient staff who in turn advise the concerned to engage adequate number of workmen and to provide adequate number of trucks for quick movement of stocks from siding/good-sheds to FCI depots paving the way for immediate release of wagons within free time allowed by the Railways to avoid the incurrence of demurrage charges/detention.
- GM (Regions) and Area Manager have to monitor the daily rake movement to identify the centres which are facing chronic problems in unloading of rakes.
- Field offices have been advised to make alternative H&T arrangements to work on Sundays and Holidays wherever the labourers are not attending office on these days.
- GMs (Regions) have been advised to expeditiously apply for first, second and third appeal for waiver to the Railway authorities concerned to ensure that 100% waiver is obtained from the Railways.
- Demurrage charges are paid only if these are economical as compared to OTA.

3. FCI has been maintaining close liaison with the Railways to get maximum waiver of demurrage charges. The Department has also been taking up the issue with Railway Board for maximum waiver of demurrage charges incurred by FCI. This issue has also been raised by FCI in the various Customer-Railways meetings held. FCI has been able to get waivers of around 30% of demurrage charges from Railways. Further, in its Handling and Transport Contracts, FCI has imposed recovery of demurrage charges from the contractors in case the detention to wagons is due to failure on the part of the contractor.

Zone-wise accrual of demurrage charges, waiver by Railways, recovery from H&TC and paid by FCI for the period from 2005-06 to 2007-08 is as under:—

(Fig. in Lakh)

Zone	Accrual			Waiver by Railways			Recovery from H&TC			Paid by FCI		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
NE	1398.7	826.6	899.5	593.8	324.6	363.0	Nil	Nil	Nil	852.8	430.5	484.2
East	516.4	285.0	463.3	119.1	92.4	48.0	44.7	70.1	211.4	393.6	187.0	135.9
South	246.7	185.5	226.9	66.5	58.1	56.6	123.7	66.2	77.9	61.1	49.4	69.2
North	515.8	346.8	404.5	162.0	99.7	113.3	256.6	189.2	185.4	104.8	79.4	82.8
West	606.8	629.5	526.0	95.1	92.6	66.9	82.6	132.9	250.5	480.4	342.7	240.9
Total	3284.4	2273.4	2520.2	1036.5	667.4	647.8	507.6	458.4	725.2	1892.7	1089.0	1013.0

It may be seen that during 2007-08 FCI has paid Rs. 1013 lakh of demurrage as against 1089.0 lakh during 2006-07 and Rs. 1892.7 lakh paid during 2005-06.

4. The implementation of LP Linkages generated by the software given by Mc.Kinsey & Co. was started in Feb, 2006. However, the implementation of the linkages generated by the software has been affected due to the operational constraints of Railways. This matter has been repeatedly taken up with Railways by FCI and the Department. Further, to improve the software and take care of some constraints relating to Railways, FCI & State Governments, it has been decided to prepare new dynamic software. Proposals in this regard have been received from IITs/IIMs, RITES, MDI Gurgaon, ISI Kolkata and are under examination by FCI. Quantification of savings would be possible only after the new dynamic software is implemented.

(File No. 12-1/2008-M.II)

Observation/Recommendation

One of the envisaged objectives of the Public Distribution System is to ensure food security to public at affordable prices and eradication of poverty. It is fact intended to serve as a safety net for the poor whose number is more than 330 million. In this respect, the Committee would like to dwell a little further on the current price scenario that is prevalent in the country. The prices of essential commodities have shot up over a short span of time and with the inflation rate also being high, the Committee fear that in an uncontrolled situation, very soon, the numbers in the Below Poverty Line category would swell, if they have not already reached alarming proportions. In addition, the other inevitable consequence would be the vast price difference between the essential commodities that are made available through the Public Distribution System and the ones that are available in the open market. This huge gap would inevitably increase the chances of pilferage and diversion, thereby compounding the problem further. Hence, it is very important that the Government takes prompt and effective measures to control the price rise including deterrent action against hoarders, if necessary, by amending the Essential Commodities Act. Imposing a ban on Forward/Futures Trading in essential commodities may also be considered for this purpose.

[Sl. No. 21]
Para No. 207 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

Following steps have been taken by the Government to contain rise in prices of wheat and rice:—

Wheat in (RMS) 2008-09

- (i) The MSP for wheat has been fixed at Rs. 1000 per quintal for RMS 2008-09 to encourage farmers to grow more wheat thereby increasing the availability of wheat in the open market.

- (ii) Import of 18 lakh tonnes of wheat was done in 2007-08, which improved the stock position of wheat in the Central Pool. The wheat stocks (as on 1.4.2008) were 58 lakh tonnes *i.e.* 18 lakh tonnes more than the buffer norms of 40 lakh tonnes at the start of RMS 2008-09.
- (iii) Wheat exports on private account have been banned till further orders. Wheat exports from Central Pool are also banned.
- (iv) A notification titled "Wheat (Stock Declaration by Companies or Firms or individuals) Order, 2008 has been issued under the Essential Commodities Act, 1955 on 11.2.2008. The order provides that any Company or Firm or individual which purchases wheat beyond 10,000 tonnes during 2008-09 shall furnish return to Secretary, Food of the State from where maximum quantity has been purchased. While a return for purchase of wheat beyond 25,000 tonnes is required to be furnished to the Central Government.
- (v) Department of Consumer Affairs has extended upto 31st August, 2008 notification under the EC Act enabling State Governments to impose stock limit on wheat.
- (vi) Import of wheat on private account at zero duty has been permitted till further orders.

Rice in (KMS) 2007-08

- (i) The MSP for paddy was fixed at Rs. 645 and Rs. 675 per quintal for Common and Grade 'A' variety respectively for KMS 2007-08, giving an increase of Rs. 65 per quintal over the MSP of KMS 2006-07. The Government has announced a bonus of Rs. 100 per quintal over and above the MSP of paddy in KMS 2007-08. While considering recommendations of CACP for Kharif Crops to be marketed in KMS 2008-09, the Government has decided to increase MSP of both varieties of paddy by Rs. 105 per quintal on *ad-hoc* basis, with immediate effect. Accordingly, Department of Agriculture and Cooperation has issued order on 24.6.2008 for increasing the MSP to Rs. 850 per quintal for common and Rs. 880 per quintal for Grade 'A' paddy. Department of Food and Public Distribution has implemented the orders of Government and new MSP has been made applicable to paddy procured on or after 24.6.2008.
- (ii) Export of non-basmati rice has been banned.
- (iii) Import of rice at zero duty has been permitted.
- (iv) A notification titled "Rice (Stock Declaration by Companies or Firms or Individuals) Order 2007 has been issued under the Essential Commodities Act, 1955 on 27.11.2007. The order provides that any Company or Firm or individual which purchases paddy (in terms of rice) or rice beyond 10,000 tonnes during Kharif Marketing Season 2007-08 (October-September) shall furnish a return to the Secretary, Department of Food of the State from where maximum quantity has been purchased. In case the purchase of paddy (in terms of rice) or rice exceeds 25,000 tonnes (throughout the country) the return in the prescribed proforma to Department of Food & Public Distribution of Central Government.

Department of Consumer Affairs has informed that the Government had set up an Expert Committee on 2.3.2007 under the Chairmanship of Professor Abhijit Sen, Member, Planning Commission to study, *inter alia*, the extent of impact, if any of futures trading on wholesale and retail prices of agricultural commodities. Besides as a matter of abundant caution, the Government have suspended futures trading in eight commodities namely, urad, tur, wheat, rice, chana, rubber, potato and soy oil. Department of CA further intimated that the Expert Committee set up by the Government analyzed the daily, weekly and monthly data on price volatility (spot price) and concluded that given the conflicting results from daily as against weekly and monthly data, no strong inference can be drawn on whether introduction of futures trade is associated with decrease or increase in spot price volatility. The Expert Committee also analyzed annual growth rate in prices of sensitive commodities (food grains and sugar) in pre-future period and post future period and concluded that although inflation clearly increased post-futures in some sensitive commodities that have higher weight in consumer price indices, it is not possible to make any general claim that inflation accelerated more in commodities with future trading.

The Central Government issued a Central Order No. 1373 (E) dated 29.8.2006 by virtue of which the words or expressions made in respect of purchase, movement, sale, supply, distribution or storage for sale in the "Removal of (Licensing requirements, Stock limits and Movement Restrictions) on Specified Foodstuffs Order, 2002" notified on 15.2.2002 have been kept in abeyance for commodities namely wheat and pulses for a period of six months. The Order of 29.08.2006 was initially in force for a period of 6 months, which was extended thrice for a period of 6 months each by Central Notification dated 27.2.2007, 31.8.2007 and 28.2.2008. This order is currently in force up to 31.8.2008. The Order has permitted State/UT Governments to fix stock limits in respect of wheat and pulses. With the approval of the Cabinet, the Government has further decided to impose similar restrictions by keeping in abeyance some provisions of the Central Order dated 15.2.2002 for a period of one year with respect to edible oils, edible oilseeds and rice, so as to tackle the rising trend of prices as well as availability of these commodities to the common people.

The State Governments/UT Administrations have been delegated powers to take necessary action under the provisions under "The Essential Commodities Act, 1955" and "The Prevention of Black marketing of Essential Commodities Act, 1980". Both these Acts provide adequate powers to the State Governments/UT Administrations to take necessary action against unscrupulous persons indulging in hoarding and malpractices in essential commodities.

Secretary (Consumer Affairs) has also *vide* his d.o. letter dt. 14.6.2007 to Chief Secretaries of all States/UTs, advised them to strengthen the enforcement machinery to prevent mal practices in essential commodities and take necessary action against the unscrupulous persons indulging in hoarding and black marketing of essential commodities

(File No. 166(9)/2008-Py.I)

Observation/Recommendation

As a part of the process of over-seeing the process of procurement and distribution, the Food Corporation of India (FCI) had entrusted the responsibility for conducting regular and surprise inspection of sensitive spots, and for reviewing the procedures that afforded scope for corruption to its Vigilance Division. This Division was also to initiate measures for prevention, detection and punishment of those responsible for corruption or misconduct. However, the Committee find to their dismay that the Vigilance Division of FCI was almost non-functional, as several cases of misappropriation, corruption, shortages and losses due to negligence or breach of contract reported to the Vigilance Squads was constituted by the Vigilance Division for conducting surprise field inspections. Shockingly, on no occasion did the Vigilance Division of FCI make suggestions for streamlining the procedures/contracts on the basis of the inputs/feedback received by them.

Further, to strengthen vigilance, the Public Distribution System (Control) Order, 2001 had envisaged constitution of Vigilance Committees at State/Union Territory, District and Block levels for the enforcement of guidelines and monitoring of the functioning of Fair Price Shops. However, it was found that the Vigilance Committees were not constituted in many States or when constituted hardly met, thus rendering them ineffective. There was also no additional mechanism for verifying the distribution of foodgrains to the beneficiaries. The system of inspection by district level officers and the Vigilance Committees over the functioning of FPS was thus found to be deficient. The Committee would therefore recommend that the Vigilance machinery of the TPDS be made functional for better enforcement. In this respect, the Committee have noted the initiatives of the Ministry to involve Members of the Panchayati Raj Institutions in the Vigilance Committees. Modalities of social audit could also be added to such measures. The Committee hope such healthy initiatives to decentralize the process of enforcement will be followed up with all the States for greater participation.

[Sl. No. 22]
Para No. 208 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

Vigilance Division in F.C.I. functions under the overall supervision of ED Vigilance who has been appointed by the Government in consultation with Central Vigilance Commission.

Instructions/circulars issued by various divisions of FCI indicating the procedures are invariably screened in Vigilance Division and in case any changes/amendments are needed, the same are conveyed to the operating division for further actions. Vigilance Division has prepared a rules made easy booklet namely 'DOs and DONTs' which could be referred to immediately by the employees especially those working in the field.

The full fledged separate vigilance squad is in existence since 1998 in F.C.I. Through this division of F.C.I. surprise inspections are carried out at procurement centres, loading stations, unloading stations etc.

Every year, an analysis is being done by Vigilance Division of FCI, Headquarters to identify the sensitive spots which are prone to corruption so as to keep maximum vigil on them. As a result of this, following preventive checks were conducted during the last three years.

Year	Regular Checks	Surprise checks	Total
2005	3247	2105	5352
2006	3764	2663	6427
2007	5266	3709	8975

On Account of Extensive Checking of the corruption prone areas and also screening the files, following vigilance cases were initiated during the last three years by F.C.I.

Sl.No.	Nature of irregularity	2005	2006	2007
1.	Acceptance of illegal gratification/ disproportionate assets	4	11	10
2.	Defalcation of accounts/misappropriation	34	79	70
3.	Misappropriation of dead stocks/ construction of godowns	13	6	11
4.	Purchase of sub-standard stocks	1026	569	288
5.	Award of Handling and Transport contracts	12	3	11
6.	Transit/Storage Losses	901	1195	850
7.	Administrative lapses/ miscellaneous	155	141	142
Total		2145	2004	1382

It could be observed that exemplary punishment were imposed ranging 'dismissal from service' to recoveries of the losses. The details are as shown here:—

Sl.No.	Nature of irregularity	2005	2006	2007
(i)	Dismissal/removal/compulsorily retired	44(1)	79(3)	50(-)
(ii)	Reduction in rank	30(-)	30(-)	46(-)
(iii)	Reduction in time scale of pay	313(2)	318(2)	274(4)
(iv)	Withholding of increment	118(2)	216(1)	195(1)

Sl.No.	Nature of irregularity	2005	2006	2007
(v)	Recovery from pay of the loss caused to FCI	886(2)	1731(23)	1821(35)
(vi)	Withholding of promotion	5(-)	2(-)	66(-)
(vii)	Censure	307(6)	382(6)	358(16)
	Total	1703(13)	2758(35)	2816(56)
(viii)	Warning issued/exoneration/cases closed	248(5)	323(4)	400(23)
	Grand Total	1951(18)	3081(39)	3216(79)

NOTE: Figures in bracket indicate penalty imposed on category-I officers out of the total figures indicated above.

Apart from the above, following actions were taken to strengthen the vigilance machinery in F.C.I.

Preventive Measures

1. Identification of depots where more storage/transit losses are incurred for close review and checks.
2. Frequent surprise/squad checks at vulnerable depots/loading/unloading points/centres, particularly during procurement operations.
3. Liaison and assistance to CBI and joining them in their raids/surprise checks.
4. Plugging loopholes in the system/procedure/instructions.
5. Preparation of doubtful integrity and agreed lists.
6. Scrutiny of property returns.
7. Identification of training needs.
8. Review of sensitive postings and appropriate suggestion to displace persons of doubtful integrity.
9. Vigilance awareness programme to awaken the public against corruption.

Detection and punishment of those responsible for corruption and misconduct is done in the following lines:—

1. Investigation of complaints.
2. Issue of charge sheets in *prima facie* established cases after preliminary inquiry.
3. Finalization of departmental proceedings (major/minor) within the prescribed time limits as far as possible and imposition of appropriate penalties.
4. Review of pending complaints and disciplinary proceedings at the level of lower disciplinary authorities.

5. Exemplary punishment in cases involving conspiracy or misconduct by individual officers as a strategy to sabotage the system, in appropriate cases.
6. Reference to CBI/local police of cases where besides departmental action, criminal misconduct/nexus with outside parties is suspected.

Apart from that it is to highlight that FCI is pursuing vigilance cases which have been initiated to dispose of in a time bound manner and the gist of vigilance cases initiated and disposed of during the last three years is as under:—

Pendency and Disposal of Vigilance cases

PERIOD	Opening Balance at the beginning of the year	Number of cases added during the year	Total number of cases	Number of cases finalised	Closing Balance
2005	1219	2877	4096	1951	2145
2006	2145	2940	5085	3081	2004
2007	2004	2594	4598	3216	1382

The column No. 5 indicates accelerated process of disposal. From column No. 6 it could be clear that the pendencies are reduced to a great extent.

Because of these sincere and dedicated efforts of FCI, the transit and storage losses have come down significantly over a period of time which can be seen from the following data:—

Transit Losses

(Qty. in lakh MT/Value Rupees in crores)

Year	Loss Qty.	Loss Value	Total Qty. Issued	%age of Loss
2000-01	1.56	145.31	375.27	0.42
2001-02	1.44	143.02	578.98	0.25
2002-03	3.17	309.39	831.34	0.38
2003-04	2.32	244.59	821.18	0.28
2004-05	1.46	156.37	767.02	0.19
2005-06	1.17	133.87	729.69	0.16
2006-07*	1.36	153.22	642.29	0.21

Storage Losses

(Qty. in lakh MT/Value Rupees in crores)

Year	Loss Qty.	Loss Value	Total Qty. Moved	%age of Loss
2000-01	1.55	134.76	185.40	0.84
2001-02	1.42	123.12	234.28	0.61
2002-03	1.70	148.52	297.46	0.57
2003-04	1.70	150.48	341.74	0.50
2004-05	1.83	149.93	382.77	0.48
2005-06	1.51	143.00	355.75	0.43
2006-07*	1.25	130.39	326.92	0.38
(Prov.)				

*Figures of 2006-07 are unaudited.

Apart from control of losses, the vigilance measures in detection and exemplary punishment of corrupt have resulted improvement in the quality of foodgrains procured and distributed. As a result quality complaints have come down over a period of time. The details of last three years are as under:—

Year	No. of quality complaints
2005	276
2006	107
2007	89

Joint Secretary, Vigilance in the Department has been asked to review the performance of Vigilance Division of F.C.I. in every quarter and submit a report to the Government.

It may be stated that PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of foodgrains, etc. The responsibility of effectively distributing the same to the ration cardholders through the network of Fair Price Shops (FPSs) lies with the State Governments. The operational responsibilities including allocation within the State, identification of families below poverty line, issue of ration cards to them, supervision over and monitoring the functioning of FPSs rest with the State Governments.

Review of TPDS functioning is a continuous ongoing process. To overcome the shortcomings pointed out by PEO (Planning Commission) and ORG Marg reports, a 9-point Action Plan was formulated to be implemented by State/UT Governments. A copy of the 9-point Action Plan is annexed. The Deptt. of Food and Public Distribution

is continuously reviewing process of implementation of the 9-point Action Plan. Secretary, Government of India has been taking it up with Chief Secretaries of States and UT Governments, and Minister of Consumer Affairs, Food & Public Distribution has written to Chief Ministers drawing their personal attention for taking strict action to eliminate diversion and leakages under the TPDS. State & UT Governments have reported reduction in diversions and leakages of foodgrains under TPDS through:—

- (a) elimination of bogus ration cards,
- (b) introduction of coupons/bar coded coupons in some States,
- (c) allocation of Fair Price Shops to Women's Self-Help Groups, and
- (d) door delivery of foodgrains to Fair Price Shops.

It may be mentioned here that, as recommended by the Committee, while reviewing functioning of TPDS, advice of experts is also taken.

As a part of continuous monitoring and review of TPDS operation, experts like NCAER have been engaged to evaluate performance of TPDS and suggest corrective measures for rectifying the problems noticed. International agencies like FAO do not seem to have any experience of operating a PDS like in our country.

Concurrent Evaluation of TPDS has been undertaken in 26 States & UTs to assess extent of improvement as a result of various steps initiated by the Government for improving TPDS, after detailed review of TPDS functioning based on earlier evaluation studies.

In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001. In para 1 of Annex. to the PDS (Control) Order, 2001 *inter-alia* it has been provided that (i) Gram Sabhas shall finalise the list of beneficiaries belonging to BPL and Antyodaya categories drawn up by the designated authority in respect of the area under their respective jurisdiction, (ii) Where there are no Gram Sabhas, the local representative bodies shall finalise the list of beneficiaries belonging to BPL and Antyodaya categories within their respective jurisdiction, (iii) The designated authority of the State Government or the local representative bodies including Gram Sabhas and Gram Panchayats which have been entrusted with the task of identification of beneficiaries, shall verify and certify the information in the prescribed proforma for BPL and Antyodaya families.

Further para 4(3) of the Annex to PDS (Control) Order, 2001 stipulates that:—

- (i) the designated authority of the State Governments shall ensure delivery of one copy of allocation order made to the fair price shop simultaneously to Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shops by the concerned State Government, and
- (ii) Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shops by State

Governments shall display the stocks of essential commodities allotted during the month to the fair price shops on a notice board outside their office.

To make vigilance machinery of TPDS functional, the Department has been taking action as follows:—

- (a) Detailed guidelines were issued by the Department in June, 1999 for greater involvement of Panchayati Raj Institutions (PRIs) in the functioning of TPDS and to bring in a more transparent and accountable system of distribution as a measure of social audit. As a strategy to reduce diversion at village level, greater emphasis is being laid on involvement of village level Panchayat functionaries/ULB members in maintaining vigil over FPSs.
- (b) As requested by the Committee, the Department has initiated action to introduce social audit of TPDS and to replicate healthy initiatives in a decentralized format.

As a measure of social audit, in order to ensure increased transparency in functioning of FPSs, the State and UT Governments have been directed in March, 2008 to introduce monthly certification by Village Panchayats/Vigilance Committees/Urban Local Bodies/Self Help Groups for delivery of foodgrains to FPS and their distribution to ration cardholders. Such a certification of actual delivery of foodgrains to Fair Price Shops in time and their distribution to ration cardholders is also expected to streamline functioning of Vigilance Committee at Fair Price Shop level.

- (c) In order to make TPDS operations transparent and amenable to RTI Act provisions, a revised model Citizens' Charter was issued in July, 2007 for adoption and implementation by State Governments/UT Administration for facilitating use by citizens of provision of RTI Act, 2005 in relation to functioning of the TPDS. Similarly, for greater public scrutiny of the TPDS functioning through the provisions of RTI Act, 2005, publicity-cum-awareness campaign on TPDS is being taken up as a part of the Plan scheme on strengthening of TPDS. Similarly as part of capacity building of village level functionaries, members of vigilance committees at various levels and Departmental officers/staff, this Department is continuing the Plan Scheme on Training, Research and Monitoring. With the above measures, local level vigilance of TPDS by ration cardholders is being sought to be put in place. The Department has noted the recommendations of the Committee and would endeavour to take further action. However, it is to be mentioned that the vigilance machinery of TPDS can be strengthened only when State Governments and UT administrations take this task seriously.

In order to take help of information technology in better monitoring of TPDS operations, a pilot project on computerization of TPDS operations at National/States/Districts and Block levels is being undertaken during 11th Plan Period. For this the NISG has been appointed as project consultant, it is studying processes and systems of TPDS functioning in 4 pilot States to prepare detailed project report. Similarly, in order to track movement of vehicles carrying TPDS commodities, piloting of GPS has been taken up in three States. Piloting of smart cards (with biometric) based delivery of TPDS commodities is planned in Haryana and Chandigarh.

In order to check diversion of wheat into open market, distribution of wheat flour (*i.e.* atta) instead of wheat is being emphasized under a revised policy, issued in January, 2008.

(File No. 18-5/2008-FC-1, 14(3)/2006-PD.III)

Observations/Recommendations

The multiple agencies involved in procuring, storing, distributing and selling commodities as well as those formulating policies on the operation of the Public Distribution System include a range of Central and State authorities, which created overlapping lines of accountability, resulting in distortions in the delivery of the system. The blurred lines of accountability particularly affected the potential for follow-up action in cases of investigation and enforcement action against observed cases of irregularity. The Committee find that there are not only too many links in the chain of command but also many criss-crossing reporting relationships among the multi-agency personnel involved in the Public Distribution System operations, making the assignment of responsibility very arduous. The Committee, therefore, urge that the delivery mechanism be streamlined and better co-ordination ensured among the different agencies involved so that accountability can be precisely established.

While taking a serious view of the various shortcomings and irregularities that have come to their notice, the Committee urge the Ministry to squarely address all the key issues concerning procurement, movement and distribution of foodgrains and particularly the rampant corruption afflicting the Public Distribution System and its network of Fair Price Shops.

The Committee note that the Ministry have initiated a few measures for bringing about improvements in the administration of the Targeted Public Distribution System (TPDS), such as a revised format of citizen charter on TPDS setting out the model procedure and time schedule for the provision of services to the intended beneficiaries, and a Nine-Point Action Plan for TPDS. However, the Committee note this Nine-Point Action Plan does not comprehensively cover the need for alternative systems, as clearly indicated by both C&AG's Report and Planning Commission's evaluation. Innovative measures like Food Coupons have been introduced in some States like Andhra Pradesh, Jammu & Kashmir and Bihar as a tracking/verification mechanism for the quantities of ration commodities lifted from the Fair Price Shops. The Committee hope that the policy initiatives taken by the Ministry would be more comprehensive and not remain just on paper but constantly followed up and reviewed with States and translated into tangible outcomes at the ground level. Successful experiments carried out by some States may be tried out in other States as well. The Committee would also expect the Ministry to be pro-active and help the States in the computerization process of Targeted Public Distribution System operations, which will enable them to monitor and strengthen the delivery system.

[Sl. No. 23]
Para No. 209 of 73rd Report of PAC
(Lok Sabha)

Action Taken by the Government

To streamline the functioning of TPDS, the Department has been continuously taking a number of measures as explained in replies to earlier paras. In addition, the following steps are being taken to harness use of IT in functioning of TPDS as recommended by the Committee.

- (i) This Department has appointed the National Institute of Smart Government, Hyderabad as Project Consultant to prepare a detailed project report on the project on computerization of TPDS operations upto Block Level by studying systems and processes of TPDS in four States viz. Andhra Pradesh, Assam, Chhattisgarh and Delhi. The software applications, etc. to be designed based on the study will be piloted in these four States. After successful implementation and experience gained from the Pilot Project, it would be rolled out in rest parts of the country. As part of Pilot Project, website is also planned which will provide information to public about allocation, availability and offtake at various levels.
- (ii) Introduction of Smart Card based delivery of foodgrains in Haryana and Chandigarh is being taken up on pilot basis. This is a very innovative way to eliminate malpractices in TPDS.
- (iii) Piloting of Global Positioning System (GPS) for tracking movement of vehicles carrying TPDS commodities has been taken up in Chhattisgarh, Tamil Nadu and Delhi in order to minimize diversion during movement of foodgrains from godowns to FP Shops.

For better coordination among the work of State Governments and UT Administrations and FCI, the Department takes periodical review meetings.

The Department has already directed the State Governments and UT Administrations to act upon a reform agenda for TPDS. This consists of the following actions:—

1. Implementation of revised Citizens' Charter.
2. Monthly certification by local bodies of receipt of TPDS foodgrains by FPS and their distribution to ration cardholders.
3. Concurrent evaluation of TPDS.
4. Publicity-cum-Awareness Campaign on TPDS.
5. Computerization of TPDS operations (Govt. of India, Ministry to Block level).
6. Computerization of monitoring and distribution of TPDS commodities at Fair Price Shops.
7. Piloting of Global Positioning System to track movement of vehicles transporting TPDS foodgrains.

8. Direct transfer of food subsidy in cash to BPL families.
9. Introduction of Smart Cards under TPDS in Chandigarh and Haryana.

Under the revised Citizens' Charter issued in July, 2007, the State Governments have been directed to constitute State level committee under chairmanship of the State Food Minister so that better coordination with various agencies takes place in practice. In view of recommendations of the Committee, the Department will further attempt to enlarge scope of work of the state level committee for better coordination among State agencies as well as central agencies like FCI.

Vetting comments of Audit

Results on the projects on the computerization of TPDS operations upto Block level prepared by the National Institute of Smart Government, Hyderabad (Project Consultant) may be furnished to PAC.

Results of Intoduction of Smart Card in Haryana and Chandigarh on pilot basis may be furnished to PAC and results of other remedial measures taken may also be furnished.

Further reply

The National Institute of Smart Government (NISG) was appointed as Project Consultant and their team commenced work from 15.04.08. The NISG has furnished three deliverables namely — Report on study of existing systems and processes under TPDS, report on best practices for bench marking and report on to-be processes and design of proposed solutions. Further, the NISG has to submit DPR alongwith proposal for piloting the project in four States namely Assam, Andhra Pradesh, Chhattisgarh and Delhi. The Pilot Project will be launched in the proposed four States after the DPR is received and examined in the Department and the project is approved.

Based on Finance Minister's Budget Announcement 2008-09 for introduction of Smart Cards for delivery of essential commodities under TDPS on pilot basis in Haryana & Chandigarh, this Department had requested both the Governments to furnish their DPRs on the project. They submitted their respective revised DPRs in August, 2008. The cost estimates of this Scheme are of Rs. 144.82 crores. The schemes in presently under appraisal by the Committee on Non-Plan expenditure.

[File No. 14(3)/2006-PD-III]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS, WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

Observation/Recommendation No. 11

197. The Public Distribution System was originally conceived as an instrument for protecting consumers from food shortages and producers from price fluctuation, with the specific proclaimed task of providing food security to vulnerable households. It is built around a network of around 4.92 lakh 'Fair Price Shops' commonly referred to as 'ration shops', making it one of the biggest such systems in the world. The Public Distribution System is not only enormous in terms of its expenditure and reach, but also in terms of the range of agencies involved in its operation. This system, despite its many successes, has, over the years, manifested a broad array of problems. It suffers from chronic mismanagement, cost inefficiencies, poor quality of foodgrains supplied and large inaccuracies in the enumeration of beneficiaries, resulting in exclusion of substantial number of the poor from the system entirely. To make matters worse, the illegal diversion of Public Distribution System commodities to the open market through a highly institutionalized network of agents and other middlemen, severely undermines the capacity of the system to serve the needs of the poor. The Committee are thus constrained to observe that the Public Distribution System in the country warrants immediate attention, requiring a thorough overhaul. The Committee would like the Ministry to review, if necessary, with the expert guidance and support of the Food and Agriculture Organisation of United Nations, the operations of the Public Distribution System across the country, identifying its strengths and weakness, based on the experiences and experiments of different States right from identification of beneficiaries to ensuring that the beneficiaries get their due. In particular, the enormous costs due to inefficiency of Food Corporation of India (FCI) may be gone into in-detail and corrective action taken immediately and the Committee be apprised of the same.

[Sl. No.11]
Para No. 197 of 73rd Report of PAC
(Lok Sabha)

Action Taken by the Government

It may be stated that PDS is operated under the joint responsibility of the Central and the State Governments. The Central Government has taken the responsibility for procurement, storage, transportation and bulk allocation of foodgrains, etc. The responsibility of effectively distributing the same to the ration cardholders through the network of Fair Price Shops (FPSs) lies with the State Governments. The operational responsibilities including allocation within the State, identification of families below

poverty line, issue of ration cards to them, supervision over and monitoring the functioning of FPSs rest with the State Governments.

Review of TPDS functioning is a continuous ongoing process. To overcome the shortcomings pointed out by PEO (Planning Commission) and ORG Marg reports, a 9-point Action was formulated to be implemented by State/UT Governments. A copy of the 9-points Action plan is annexed. The Department of Food and Public Distribution is continuously reviewing progress of implementation of the 9-point Action Plan. Secretary, Government of India has been taking it up with Chief Secretaries of States and UT Governments, and Minister of Consumer Affairs, Food & Public Distribution has written to Chief Ministers drawing their personal attention for taking strict action to eliminate diversion and leakages under the TPDS. State & UT Governments have reported reduction in diversions and leakages of foodgrains under TPDS through:—

- (a) elimination of bogus ration cards,
- (b) introduction of coupons/bar coded coupons in some States,
- (c) allocation of Fair Price Shops to Women's Self Help Groups, and
- (d) door delivery of foodgrains to Fair Price Shops.

It may be mentioned here that, as recommended by the Committee, while reviewing functioning of TPDS, advice of experts is also taken.

As a part of continuous monitoring and review of TPDS operation, experts like NCAER have been engaged to evaluate performance of TPDS and suggest corrective measures for rectifying the problems noticed. International agencies like FAO do not seem to have any experience of operating a PDS like in our country.

Concurrent Evaluation of TPDS has been undertaken in 26 States & UTs to assess extent of improvement as a result of various steps initiated by the Government for improving TPDS, after detailed review of TPDS functioning based on earlier evaluation studies.

In order to maintain supplies and securing availability and distribution of essential commodities, Public Distribution System (Control) Order, 2001 has been notified on August 31, 2001. In para 1 of Annex. to the PDS (Control) Order, 2001 *inter-alia* it has been provided that (i) Gram Sabhas shall finalise the list of beneficiaries belonging to BPL and Antyodaya categories drawn up by the designated authority in respect of the area under their respective jurisdiction, (ii) Where there are no Gram Sabhas, the local representative bodies shall finalise the list of beneficiaries belonging to BPL and Antyodaya categories within their respective jurisdiction, (iii) The designated authority of the State Government or the local representative bodies including Gram Sabhas and Gram Panchayats which have been entrusted with the task of identification of beneficiaries, shall verify and certify the information in the prescribed proforma for BPL and Antyodaya families.

Further para 4(3) fo the Annex. to PDS (Control) Order, 2001 stipulates that:—

- (i) The designated authority of the State Governments shall ensure delivery of none copy of allocation order made to the fair price shop simultaneously to Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the fuctioning of the fair price shops by the concerned State Government, and
- (ii) Gram Panchayats or Nagar Palikas or Vigilance Committees or any other body nominated for monitoring the functioning of the fair price shop by State Governments shall display the stocks of essential commodities allotted during the month to the fair price shops on a notice board outside their office.

To make vigilance machinery of TPDS functional, the Department has been taking action as follows:—

- (a) Detailed guidelines were issued by the Department in June, 1999 for greater involvement of Panchayati Raj Institutions (PRI) in the functioning of TPDS and to bring in a more transparent and accountable system of distribution as a measure of social audit. As a strategy to reduce diversion at village level, greater emphasis is being laid on ivolvement of village level Panchayat functionaries/ULB members in maintaining vigil over FPSs.
- (b) As requested by the Committee, the Department has initiated action to introduce social audit of TPDS and to replicate healthy initiatives in a decentralized format. As a measure of social audit, in order to ensure increased transparency in functioning of FPSs, the State and UT Governments have been directed in March, 2008 to introduce monthly certification by Village Panchayats/Vigilance Committees/Urban Local Bodies/Self Help Groups for delivery of foodgrains to FPS and their distribution to ration cardholders. Such a certification of actual delivery of foodgrains to Fair Price Shops in time and their distribution to ration cardholders is also expected to streamline functioning of Vigilance Committees at Fair Price Shop level.
- (c) In order to make TPDS operations transparent and amenable to RTI Act provisions, a revised model Citizens' Charter was issued in July, 2007 for adoption and implementation by State Governments/UT Administrations for facilitating use by citizens of provision of RTI Act, 2005 in relation to functioning of the TPDS. Similarly, for greater public scrutiny of the TPDS functioning through the provisions of RTI Act, 2005, publicity-cum-awareness campaign on TPDS is being taken up as a part of the Plan scheme on strengthening of TPDS. Similarly as part of capacity building of village level functionaries, members of vigilance committees at various levels and Departmental officers/ staff, this Department is continuing the Plan Scheme on Training, Research and Monitoring. With the above measures, local level vigilance of TPDS by ration cardholders is being sought to be put in place. The Department has noted the recommendations of the Committee and would endeavour to take further action. However, it is to be mentioned that the vigilance machinery of TPDS can be stengthened only when State Governments and UT administrations take this task seriously.

In order to take help of information technology in better monitoring of TPDS operations, a pilot project on computerization of TPDS operations at National/States/ Districts and Block levels is being undertaken during 11th Plan Period. For this the NISG has been appointed as project consultant, it is studying processes and systems of TPDS functioning in 4 pilot States to prepare detailed project report. Similarly, in order to track movement of vehicles carrying TPDS commodities, piloting of GPS has been taken up in three States. Piloting of smart cards (with biometric features) based delivery of TPDS commodities is planned in Haryana and Chandigarh.

In order to check diversion of wheat into open market, distribution of wheat flour (*i.e. atta*) instead of wheat is being emphasized under a revised policy, issued in January, 2008.

The foodgrains are made available to the State Governments and its nominees for PDS requirement and other Governments sponsored schemes. The moment the foodgrains leave the FCI godowns, the FCI does not have control over them. It is therefore, the PDS system which needs proper overhauling so that there is no diversion or misappropriation of foodgrains. Perhaps the same needs appropriate study to plug the loopholes for strengthening the public distribution system. It is correct that due to system failure in PDS, the foodgrains do not reach the targeted poor population and most of the times reported to be from PDS.

In so far as the Food Corporation of India is concerned, the Government of India appointed M/s Mc Kinsey & Company to conduct a study of operation of FCI. The Consultant submitted a report in improving the efficiency of FCI in July, 2005. Later, the Government engaged M/s Mc Kinsey & Company again in February, 2006 and they were asked to prepare a blue print for making FCI an efficient organization. A number of actions have been taken by FCI on the recommendations of Mc Kinsey & Co. Some of the important decisions taken by FCI in this regard are summarized as under:—

- (i) Linear Programming for foodgrains.
- (ii) Consolidation of handling and road transport contract in Punjab and Haryana.
- (iii) Renting out of storage capacity godowns considered excess in 2006-07.
- (iv) Use of once used gunny for CMR paddy.
- (v) Improve management of FCI finances.
- (vi) Rotation of pending cases of vigilance of R.O. Punjab.
- (vii) Reduction in storage and transit losses.
- (viii) Improve monitoring of important parameters through the introduction of Key Performance Indicators.
- (ix) Engagement of consolidation of monitoring of prices.

Vetting Comments of Audit

Results/improvements as initiated by the Ministry may be furnished to PAC for their appreciation.

Further reply

To curb leakages and diversion of foodgrains meant for TPDS, the Central Government, in consultation with State and UT Governments, evolved a 9-point Action Plan in 2006. This includes measures such as review of BPL & AAY lists for exclusion of ineligible families and inclusion of eligible families, ensuring leakage-free distribution by taking penal action against those found indulging in malpractices, involvement of Panchayati Raj Institution in functioning of Fair Price Shops (FPS), display of BPL and AAY lists at FPS, door step delivery of PDS commodities to FPS, etc. The Action Plan is under implementation in States and UTs since July 2006 and is being closely monitored by FPS level Vigilance Committees. As a result of this exercise, so far 14 States/UTs have reported deletion of 99.36 lakh bogus/ineligible cards since July, 2006 against 23.69 crore ration cards issued by the States/UTs as on 30.09.08.

The Government has taken various other measures to improve functioning of the TPDS. A Revised Citizen' Charter has been issued and is being implemented since July, 2007. As on 30.09.2008, twelve States/UTs have reported adoption of the revised Charter. Monthly certification of delivery of allocated foodgrains to FPS and their distribution to ration cards holders has been introduced from April, 2008. As on 30.09.2008, out of 35 States/UTs, 5 States/UTs namely Bihar, Kerala, Orissa, West Bengal and Dadra & Nagar Haveli are reported to have started monthly certification. Training programmes for TPDS functionaries are being taken up. During the current financial year *i.e.* 2008-09, an amount of Rs. 28.35 lakh has been released for the training programmes. Computerization of TPDS operations has been initiated. Use of new technologies such a Global Positioning System (GPS) to monitor movement of foodgrains under TPDS has been undertaken on a pilot basis in Delhi, Chhattisgarh & Tamil Nadu for which an amount of Rs. 44.76 lakh has been released to these States during 2007-08. Policy guidelines have also been issued on distribution of wheat flour under TPDS, so that the poor families are benefited. For increasing awareness on TPDS, publicity-cum-awareness campaign has also been taken up. Under the plan scheme Publicity-cum-Awareness Campaign an amount of Rs. 52.40 lakh has been released to Nine States during 2007-08. These States are Uttar Pradesh, Bihar, Assam, Manipur, Orissa, Mizoram, Punjab and Tripura & West Bengal.

(File No. 14(3)/2006-PD. III, 18-5/2008-FC. I, 166(9)/2008-Py. I)

Joint Secretary (BP, PD & IC)

Observation/Recommendation No. 12

With regard to the identification of targeted beneficiaries under Below Poverty Line (BPL) category, the Committee were informed that this was done by the respective States/Union Territories. The estimation in this regard was however done by the Planning Commission on a uniform methodology which was designed to yield comparable estimates of poverty across the States. The actual identification of Below Poverty Line families was done by the States and Union Territories based on the parameters laid down by the Ministry of Rural Development for poverty alleviation programmes. It is strange that when Ministry of Consumer Affairs, Food and Public Distribution held the responsibility of providing essential commodities to the identified

beneficiaries under the TPDS, and Planning Commission had developed a methodology for this purpose, the actual identification of Below Poverty Line families had been done by State Government based on the criteria of Ministry of Rural Development. Such an incoherence in the methodology of identification resulted in an inaccurate database on which rested the onus of successful implementation of the Targeted Public Distribution System. With several State Governments adopting their own norms for identification of BPL beneficiaries, it resulted in these States having estimates of BPL beneficiaries much higher than that of Union Government. The Committee have found to their displeasure that this phenomenon led to scaling down of ration entitlement lower than that prescribed by the Ministry. In some cases, where the States' estimate were lower than that of the Union Government, it led to the quota released remaining undrawn by these States. As such arbitrary variations in the methodology/norms across States for the identification of the targeted beneficiaries had an adverse bearing on the efficacy of the TPDS itself and defeated the very rationale of such a focused/targeted Scheme, the Ministry in consultation with the Planning Commission and Ministry of Rural Development should consider evolving a uniform methodology and set of norms for the States/Union Territories to follow. Individual States may be asked to consult the Ministry before they opt for any deviation or variation according to their needs.

[Sl. No. 12]
 Para No. 198 of 73rd Report of PAC
 (Lok Sabha)

Action Taken by Government

This Department does of issue guidelines for identification of BPL families. This is done by respective State and UT Governments based on guidelines issued by Ministry of Rural Development and Ministry of Housing and Urban Development in consultation with Planning Commission. The State Food and Civil Supply Department rely on the BPL list made available to them by their Rural Development and Urban Development counter parts.

Based on 1993-94 poverty estimates of Planning Commission and March, 2000 population estimates of Registrar General of India, the number of BPL families (including AAY) is 6.52 crore. On the basis of poverty estimates for the year 2004-05 of the Planning Commission and population estimation of Registrar General of India as in March, 2008 the number of BPL families works out to 5.83 crore (**Annexe-IV**). The Government of India makes allocation of foodgrains under TPDS for 6.52 crore BPL families. However, the State and UT Governments have issued 10.27 crore BPL ration cards. In other words the State/UT Governments have issued the BPL and AAY cards more than 3.76 crore than the number of BPL families accepted by the Government. This Department has taken up this matter with the State/UT Governments and requested them to detect and cancel the bogus/ineligible ration cards. Suggestions have also been sought from State Governments for resolving this issue of BPL ration cards in excess of number of BPL families accepted for allocations.

Also, request received from various State Governments for accepting increased number of BPL ration cards for allocations have been referred to Planning Commission

from time to time. As recommended by the committee, the Department will again take up this issue with the Ministry of Rural Development and Planning Commission.

(File No. 14(3)/2006-PD. III)

Observation/Recommendation

The Committee were apprised that an Expert Group under the Chairmanship Dr. Lakdawala was constituted in September, 1989 to consider methodology and computation of proportion and number of poor in India. The definition of poverty line that was accepted by this Expert Group was based on the definition given by the Task Force which was set up by the Planning Commission in 1979. The Committee were informed that the Planning Commission was using these criteria given by the Expert Group for assessment of the number of poor people in the country. According to the Task Force, poverty line was defined as the per capita expenditure level at which the average per capita per day calorie intake was 2435 in rural areas and 2095 calories in urban areas. This corresponded to average consumer expenditure of Rs. 49 per capita per month for rural areas and Rs. 56.64 per capita per month expenditure for urban areas on the basis of 1973-74 prices. As more and more States seem to be devising their own norms for identification of BPL beneficiaries, this method of estimation and the criteria have become out of date. The Committee would therefore suggest that the Ministry should have a fresh look at the definition of poverty line for the TPDS in consultation with the Planning Commission so as to arrive at a more realistic, inclusive and acceptable set of criteria/norms for the identification of beneficiaries by the States.

[Sl. No. 13]
Para No. 199 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

This Department does not issue guidelines for identification of BPL families. This is done by respective State and UT Governments based on guidelines issued by Ministry of Rural Development and Ministry of Housing and Urban Development in consultation with Planning Commission. The State Food and Civil Supply Departments rely on the BPL list made available to them by their Rural Development and Urban Development counter parts.

Based on 1993-94 poverty estimates of Planning Commission and March, 2000 population estimates of Registrar General of India, the number of BPL families (including AAY) is 6.52 crore. On the basis of poverty estimates for the year 2004-05 of the Planning Commission and population estimation of Registrar General of India as in March, 2008 the number of BPL families works out to 5.83 crore (**Annexe-IV**). The Government of India makes allocation of foodgrains under TPDS for 6.52 crore BPL families. However, the State and UT Governments have issued 10.27 crore BPL ration cards. In other words the State/UT Governments have issued the BPL and AAY cards more than 3.76 crore than the number of BPL families accepted by the Government. This Department has taken up this matter with the State/UT Governments and requested them to detect and cancel the bogus/ineligible ration cards. Suggestions have also

been sought from State Governments for resolving this issue of BPL ration cards in excess of number of BPL families accepted for allocations.

Also, request received from various State Governments for accepting increased number of BPL ration cards for allocations have been referred to Planning Commission from time to time. As recommended by the committee, the Department will again take up this issue with the Ministry of Rural Development and Planning Commission.

(File No. 14(3)/2006-PD. III)

Observation/Recommendation

It was further observed that the off-take of foodgrains under the different categories was also not satisfactory. The total off-take by the Above Poverty Line (APL) category was a mere 10.88% of the total allotment during the period 2000-05. The off-take under the BPL category at 66.33% was not encouraging either. For instance, in some States, the shortfall in off-take of BPL rice ranged from 30 to 67 per cent. The Committee desire that the Ministry must look into the reasons for such low off-take of foodgrains from the central pool and take up the matter with the deficient States. The Ministry should seize this opportunity to identify the deficiencies existing in the system for deciding State-wise allocations. The problems confronting the States with poor off-take may be addressed accordingly.

[Sl. No. 15]
Para No. 201 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

At any given point of time various reasons may contribute of low off-take by State Governments *viz.* resource crunch faced by State Government, administrative or infrastructural problems created by natural calamities and the price differential between APL issue prices market prices.

Significantly, during the period from 2000 to 2005, the stock of foodgrains in the Central Pool was much above the minimum buffer norms. Since foodgrains were available in the open market at competitive prices, the off-take under APL was quite less. Earlier the practice followed was to make allocations based on demands of State Governments. Also, the norm of allocation under the APL category was revised to 35 Kgs per family per month in 2002, implying a substantial increase in allocation of foodgrains under APL category, which also reflected in reduction in off-take percentage under APL.

The decrease in off-take under TPDS in BPL category is because AAY families are a segment of BPL families. With the identification of additional AAY families during three expansions, there is a corresponding decrease in the number of other BPL families and off-take of other BPL families. Consequently, while the off-take of foodgrains under other BPL category has decreased, the off-take of foodgrains under AAY category has increased correspondingly. Therefore, if the total off-take of foodgrains for BPL families including AAY families, is considered since 2004-05, there has not been any decline in the off-take.

Nevertheless, with a view to encourage the State/UT Governments for lifting the allocated quantities of foodgrains under TPDS, the Government decided to rationalize the wheat and rice allocations for APL category *w.e.f.* June, 2006 and April, 2007 respectively by linking them with average off-take of the respective State/UT during previous 3 years *i.e.*, 2003-04, 2004-05 and 2005-06. Thereafter, in view of constraints on availability of rice in the Central Pool on account of its lower procurement during KMS 2006-07 and 2007-08, the allocation of rice has been further rationalized *w.e.f.* from April, 2008, linking it with average off-take of 2006-07 and 2007-08.

As a result, the off-take of allocated foodgrains under the TPDS is now showing a rising trend from 2005 onwards. This is amply reflected in the comparative off-take figures from 2004-05 to 2008-09 (upto May, 08), as per table below:—

(In lakh tons)

year	Allocation			Offtake			%Offtake		
	BPL +AAY	APL	Total	BPL +AAY	APL	Total	BPL +AAY	APL	Total
2004-05	273.321	443.677	716.997	229.231	64.319	293.550	83.9	14.5	40.9
2005-06	272.682	443.533	716.215	230.849	80.205	311.053	84.7	18.1	43.4
2006-07	273.733	302.828	576.561	229.010	84.685	313.695	83.7	28.0	54.4
2007-08	274.62	118.16	392.78	245.61	87.19	332.81	89.4	73.8	84.7
2008-09 (Upto May)	46.00	13.85	59.85	42.79	14.1	56.80	93.0	101.2	94.9

In view of this, no further action is required to be taken by the Department with reference to the recommendation.

[File No. 14(3)/2006-PD. III]

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH HAVE REQUIRE REITERATION

Observation/Recommendation

In their examination of the issue relating to procurement of foodgrains, the fixation of Minimum Support Price of foodgrains played an important role. The Committee have been apprised that these Minimum Support Prices were normally announced upfront before commencement of sowing operations of the particular crop and these were usually remunerative and significantly higher than the costs. Therefore, the Minimum Support Price was the floor price which the farmers were assured of getting for their produce. In order to ensure that farmers were aware of the Minimum Support Price, steps were stated to have been taken by Government to educate farmers by giving wide publicity through the print and visual media as well as banners, pamphlets etc. The Committee would recommend that the Government must air more programmes like Krishi Darshan on Doordarshan and All India Radio, focusing on technology, trends of price (daily) in national, regional and local mandis, Fair Price Shops, Ration Cards and prices for BPL and APL households. In this regard, the Committee would also expect the District Administration led by the District Collectors to take initiatives in creating awareness among farmers.

The Committee have however been informed that no impact assessment survey was ever conducted by the Ministry to study the extent of denial of benefits of Minimum Support Price among farmers, leading to distress sale of foodgrains. The Committee are of the opinion that in the absence of such an assessment study, the actual penetration and impact of Minimum Support Price Scheme and its shortcomings, if any, cannot come to the fore and appropriate interventions would thus not be possible. It is therefore necessary that an assessment study be made in regard to the Minimum Support Price Scheme and its effectiveness in overcoming distress sale of foodgrains by farmers. Such a study will also enable the Government to gauge the efficacy of its procurement operations in the light of increasing demand of foodgrains for the TPDS and other welfare schemes and the crying need to provide remunerative prices for the farmers.

On the procurement policy of the Government, the Committee were apprised that the Government procured foodgrains at the Minimum Support Price and there was no concept of separate procurement price. The Ministry were of the view that distinguishing the Minimum Support Price from the procurement price had its own problems in operation. As a result, the Food Corporation of India was bound to procure the produce at the price offered to farmers and because of this, at times, Food Corporation of India were unable to procure more to meet their requirement. As this is

a serious constraint conceded by the Secretary (Food and Public Distribution) himself in his deposition, the Committee would like the Ministry to carry out a thorough study in coordination with the Ministry of Agriculture and the Planning Commission about the factors that were plaguing the Minimum Support Price Scheme as such, which were responsible for some of the problems cited like procurement not meeting the Government's requirement.

[Sl. No. 6]
 Para No. 192 of 73rd Report of PAC
 (Lok Sabha)

Action Taken by Government

In order to generate awareness of MSP among the farmers instructions have been issued by the Department of Food & Public Distribution to FCI and the State Governments to give wide publicity in the local media regarding the MSP scheme, names of the procurement agencies, particulars of purchase centres and FAQ specifications. The State Governments have been further requested to instruct their procuring agencies to organize wide publicity (in association with FCI) through print and visual media as well as through banners, pamphlets etc.

Regional Offices of the FCI and State Governments like Punjab, Haryana, Andhra Pradesh, Chhattisgarh, Tamil Nadu, Kerala etc. have confirmed that they are giving wide publicity about MSP in the local media before the commencement of every Kharif and Rabi Marketing Season.

The Department of Agriculture and Cooperation has also informed that to create awareness among farmers, support is provided to the States in strengthening extension programmes through a number of schemes. The various schemes include support to State Extension Programmes for Extension Reforms, Mass Media Support to Agriculture, Kisan Call Centres and Establishment of Agri-Clinic and Agri-Business Centres by Agriculture Graduates. Agriculture related information and knowledge to the farming community including the Minimum Support Prices is also provided through the network of Radio Stations and Doordarshan on the national as well as regional channels.

No impact assessment survey to determine the extent of deprivation of benefits of Minimum Support Price to the farmers has been conducted by the Department of Food and Public Distribution. However, before every procurement season, the Department of Food & Public Distribution issues instructions to the FCI and concerned State Governments to organize publicity about the MSP operations and also to set up Control Rooms in FCI headquarters, Regional Offices of FCI and in the State Governments. A Control Room is also available in the Ministry which gets daily reports of the quantum of foodgrains procured in every State as well as reports of distress sale (if any).

As recommended by the Committee, Planning Commission is being requested to undertake a study about the efficacy of MSP regime.

In case a report of distress sale is received, the concerned State Govt. and Regional office of FCI is immediately directed to investigate the report. As a result of wide

publicity of enhanced MSP of wheat (Rs. 1000 per quintal) in RMS 2008-09 the total procurement for central pool has touched an all time high of 224 lakh tonnes.

(File No. 166(9)/2008-Py. I)

Comments of the Committee

Please *see* paragraph No. 9 of Chapter I.

Observation/Recommendation

Apart from the flaws in identification of beneficiaries, the Committee in their course of examination have found several irregularities in the manner in which the ration cards were issued. It is common knowledge that the possession of a ration card is a prerequisite for establishing one's identity and domicile. Hence, obtaining it would be one of the major preoccupation of many poor families, leading to increase in the demand for ration cards and thereby rendering the process vulnerable to corruption. A limited survey conducted in Delhi itself by Audit revealed that 22.80% of the surveyed BPL population/households could not be traced, but cross-verification with the Fair Price Shop (FPS) records indicated that ration was being claimed against those names. In Delhi alone, the implementation of the TPDS was found deficient on one count or the other in respect of majority of beneficiaries surveyed, that is, 53.38%. The efforts made by the Ministry to eliminate bogus ration cards as well as bogus units in the ration cards have thus evidently not yielded tangible results. Although, the Ministry have stated to have eliminated at the macro level 61 lakh bogus cards in 13 States since July 2006, considering the magnitude of the problem, the Committee would like to be apprised about the latest position on this count as well as on the updating of lists of beneficiaries in all the States/Union Territories.

[Sl. No. 14]
Para No. 200 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

As of now, 12 State Governments have reported deletion/cancellation of 96.86 lakh of ration cards belonging to Non-existent families/ineligible families (details enclosed).

All the State & UT Governments have been requested again to furnish the detailed information on (i) number of bogus/ghost ration cards deleted *w.e.f.* July, 2006, (ii) action taken against the families who were found possessing bogus/ghost ration cards and also action taken against the officials who issued such bogus/ghost ration cards. A summary of replies received from 10 State Governments and UT Administrations is (*Annexure-V and VI*).

(File No. 14(3)/2006-PD. III)

Comments of the Committee

Please *see* paragraph No. 12 of Chapter I.

Observation/Recommendation

While examining the movement of foodgrains, the Committee found that as in March, 2005, Food Corporation of India's pending claims against the Railways had amounted to Rs. 796.45 crore. Out of this, refund of freight amounting to Rs. 37.41 crore had been pending for periods ranging from 12 to 27 years. Reasons attributed for such long pendency were the non-availability of relevant records with the Railways including the original Physical Delivery Certificate against which payments were made. The Committee have been apprised that the matter had been taken up by Food Corporation of India with Railways and it had been agreed upon to build up the cases again and settle accordingly. However, in the meeting held by Northern Railway with Claims division, this proposal was vetoed, stating that Railway Board instructions were applicable only to cases of compensation claims and not for the refund of freight claims. The Committee suspect that these are cases of collusive corruption between Food Corporation of India and Railways officials. The Committee would recommend that Inter-Ministerial meetings should be held at the highest level and measures to tackle such problem be sorted out instead of prolonging the cases by taking recourse to legal option. The Committee deplore the laxity of Food Corporation of India in monitoring the claims which had led to their pendency for a number of years. The Committee, while taking a serious view of this matter, recommend that the Food Corporation of India should enquire into the conduct of the concerned officials and apprise the Committee of the action taken thereof. The Food Corporation of India must also strengthen its monitoring mechanism and devise effective means for vigilance to tackle such issues in its nascent stage itself.

[Sl. No. 19]
 Para No. 205 of 73rd Report of PAC
 (Lok Sabha)

Action Taken by Government

1. The Department and FCI have been constantly pursuing the matter with the Railway Board for settlement of the claims which are pending with the Railway for a long time. Meetings were held at the apex level for settlement of pending claims against the Railways. The pendency of Railway claims is also due to the fact that Railway have shown their inability to settle the old cases as the relevant period record reportedly is not available with them. It has also been stated by the Railways that due to non-availability of original Physical Delivery Certificate (PDC), Railway freight claims are pending. In the meeting held on 21.3.2005, it was agreed by the Railways that the FCI may produce their shadow file to the Zonal Railways concerned so that these cases may be built up again and settled accordingly.

2. The issue of Refund of claim cases prior to July, 95 the records of which were stated to have been weeded out by Railways under age limit was discussed in the meeting held with CCO and with FA&CAO (T&S), Northern Railway held on 17.7.2005 at FCI Zonal office (North), Noida wherein it was decided that taking the spirit of the Railway Board directive, the claim cases would be settled on the basis of shadow file prepared by the FCI as per discussions. The shadow files of the refund of freight claim

cases were submitted, but Railway refused to deal with the cases on the plea that the verification of the cases cannot be done as the booking station records have also been destroyed.

3. In order to resolve this issue, a meeting was also taken by Secretary (FPD) with Railways and FCI officers, wherein it was decided that FCI would certify the genuineness of the copies of the PDC submitted and Railways would examine the possibility of settling claims on their basis. Settlement of pending claims of FCI are also discussed in the periodic meetings held between officers of Department of Food & P.D. and Railway Board.

4. FCI has been following up the settlement of pending claims with Railways at various levels. However, there is still a pendency of large number of cases, primarily due to the procedural requirements of Railways. FCI Headquarters has been regularly pursuing the issue with the concerned EDs(Zone)/GM(Region) and also with the Railway Board for early settlement at the highest level. FCI has also been advised to examine all the cases of pending claims with Railways and take action if there is any case of laxity or collusive corruption between FCI and Railway officials.

(File No. 12-1/2008-M. II)

Comments of the Committee

Please *see* paragraph No. 15 of Chapter I.

Observation/Recommendation

While examining the diversion component in the Targeted Public Distribution System, the Committee were apprised that in the year 2003-2004, out of 14.07 million tonnes of foodgrains issued to 16 States at Below Poverty Line issue prices from the Central Pool, only around 5.93 million tonnes was delivered to poor families. Further, out of the remaining 8.14 million tonnes, 5.12 million tonnes leaked out from the supply chain owing to corrupting in the delivery system. It was in fact seen that effectively only 57% of the Below Poverty Line households were covered by Targeted Public Distribution System. Abnormally high leakage/diversion of more than 75% of the total off-take of BPL quota was noticed in Bihar and Punjab. At the all India level, the overall diversion of rice and wheat was 39 per cent and 53 per cent respectively. These glaring statistics do not augur well for the successful operation of the Scheme. The Committee believe that diversion of foodgrains from the system is a menace which should be checked on top priority. The Enforcement Wing and Anti-Hoarding Cell should be strengthened, people engaged in Public Distribution System made accountable and Inspection Parties acting as Flying Squads should be constituted to inspect the movement and distribution of foodgrains. Instances of malpractices should be dealt with firmly and severely. As subsequent to lifting the foodgrains from godowns of Food Corporation of India, the responsibility of distribution of foodgrains to the consumers through Public Distribution System rested with the State Government, it has been stated that it was not possible for the Ministry to estimate the quantity of diversion of foodgrains in the open market. In this regard, the Committee recommend that to minimize human intervention, Information Technology could be put to use for

providing an end-to-end automated system, which will bring about transparency in the system. While it may not be feasible to cover Fair Price Shops in this system due to lack of connectivity, weekly arrivals of foodgrains through the public distribution chain at the Block level should be made available immediately on websites open to public scrutiny.

[Sl. No. 20]
Para No. 206 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

To streamline the functioning of TPDS, the Department has been continuously taking a number of measures as explained in replies to earlier paras. In addition, the following steps are being taken to harness use of IT in functioning of TPDS as recommended by the Committee.

I. This Department has appointed the National Institute of Smart Government, Hyderabad as Project Consultant to prepare a detailed project report on the project on computerization of TPDS operations upto Block Level by studying systems and processes of TPDS in four States *viz.* Andhra Pradesh, Assam, Chhattisgarh and Delhi. The software applications, etc. to be designed based on the study will be piloted in these four States. After successful implementation and experience gained from the Pilot Project, it would be rolled out in rest parts of the country. As part of pilot project, website is also planned which will provide information to public about allocation, availability and off-take at various levels.

II. Introduction of Smart Card based delivery of foodgrains in Haryana and Chandigarh is being taken up on pilot basis. This is a very innovative way to eliminate malpractices in TPDS.

III. Piloting of Global Positioning System (GPS) for tracking movement of vehicles carrying TPDS commodities has been taken up in Chhattisgarh, Tamil Nadu and Delhi in order to minimize diversion during movement of foodgrains from godowns to FP Shops.

For better coordination among the work of State Governments and UT Administrations and FCI, the Department takes periodical review meetings.

The Department has already directed the State Governments and UT Administrations to act upon a reform agenda for TPDS. This consists of the following actions:

- (1) Implementation of revised Citizens' Charter.
- (2) Monthly certification by local bodies of receipt of TPDS foodgrains by FPS and their distribution to ration card holders.
- (3) Concurrent evaluation of TPDS.
- (4) Publicity-cum-Awareness Campaign on TPDS.
- (5) Computerization of TPDS operations. (Govt. of India, Ministry to Block level).

- (6) Computerization of monitoring and distribution of TPDS commodities at Fair Price Shops.
- (7) Piloting of Global Positioning System to track movement of vehicles transporting TPDS foodgrains.
- (8) Direct transfer of food subsidy in cash to BPL families.
- (9) Introduction of Smart Cards under TPDS in Chandigarh and Haryana.

Under the revised Citizens' Charter issued in July, 2007, the State Governments have been directed to constitute state level committee under chairmanship of the State Food Minister so that better coordination with various agencies takes place in practice. In view of recommendations of the committee, the Department will further attempt to enlarge scope of work of the state level committee for better coordination among state agencies as well as central agencies like FCI.

Vetting comments of Audit

Results on the projects on the computerization of TPDS operations upto Block level prepared by the National Institute of Smart Government, Hyderabad (Project Consultant) may be furnished to PAC.

Results of Introduction of Smart Card in Haryana and Chandigarh on pilot basis may be furnished to PAC and results of other remedial measures taken may also be furnished.

Further reply

The National Institute of Smart Government (NISG) was appointed as Project Consultant and their team commenced work from 15.04.08. The NISG has furnished three deliverables namely—Report on study of existing systems and processes under TPDS, report on best practices for benchmarking and report on to be processes and design of proposed solutions. Further, the NISG has to submit DPR along with proposal for piloting the project in four States namely Assam, Andhra Pradesh, Chhattisgarh and Delhi. The Pilot Project will be launched in the proposed four States after the DPR is received and examined in the Department and the project is approved.

Based on Finance Minister's Budget Announcement 2008-09 for introduction of Smart Cards for delivery of essential commodities under TPDS on pilot basis in Haryana & Chandigarh, this Department had requested both the Governments to furnish their DPRs on the project. They submitted their respective revised DPRs in August, 2008. The cost estimates of this Scheme are of Rs. 144.82 crores. The scheme is presently under appraisal by the Committee on Non-Plan expenditure.

(File No. 14(3)/2006-PD.III)

Comments of the Committee

Please *see* paragraph No. 18 of Chapter I.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES.

Observations/Recommendations

While dealing with the issue of procurement cost-incidentals, the Committee were apprised that the procurement cost-incidentals comprised of Statutory and Non-Statutory charges levied by State Governments. The Central Government reimbursed all these expenses incurred by agencies of the State Governments which procured foodgrains for the Central Pool. These charges varied from State to State and the Ministry had not succeeded in having a uniform regime. The Committee have been apprised that the Ministry had suggested to the States of Andhra Pradesh, Haryana and Punjab to set up a Regulatory Authority to examine and recommend local taxes on procurement of foodgrains. Further, the Committee have been informed that Punjab had not found the need for setting up such a body as the funds collected through taxes were stated as being used for developing the agriculture marketing and rural infrastructure. However, the States of Haryana and Andhra Pradesh had not given their views in this regard. The Committee would like the Ministry to urgently obtain the views of the other States also in the matter. Subsequently, the Ministry may examine the feasibility of having a uniform tax regime for marketing foodgrains in order to curtail arbitrary levies by States, as these incidentals are eventually borne by the Ministry/Food Corporation of India, adding to the costs of procurement and the subsidy burden of the Government.

[Sl. No. 8]
Para No. 194 of 73rd Report of PAC
(Lok Sabha)

Action Taken by Government

Government of Andhra Pradesh has informed that issue regarding setting up of Regulatory Authority to examine and recommend local taxes on procurement of foodgrains was examined in consultation with Revenue Department and has intimated that till an Advisory Body by way of Empowered Committee is already existing at the National Level.

It has been further informed that setting up of a Regulatory Authority to decide about the taxes to be levied by the State Government would be an infringement of the autonomy of the State within the federal structure. Therefore, Government of Andhra Pradesh has not agreed with the need of any other Regulatory or Advisory body.

Comments of Government of Haryana were sought on this issue, which are still awaited. The Ministry has vigorously been pursuing with the State for early response.

(File No. 166(9)/2008-Py. I)

Joint Secretary (Policy & FCI)

NEW DELHI;
13 November, 2009
22 Kartika, 1931 (Saka)

Jaswant Singh,
(Chairman),
Public Accounts Committee.

ANNEXURE - I

Nine Point Action plan for curbing leakages/diversion of foodgrains under PDS

1. States should undertake a campaign for Review of BPL/AAY lists, to eliminate ghost ration cards.
2. Strict action should be taken against the guilty to ensure leakage free distribution of foodgrains. In this respect information asked for under clause 7 & 9 of PDS Control Order, may also be sent.
3. For sake of transparency involvement of elected PRI members in distribution of foodgrains be ensured. As far as possible, FPS licenses be given to SHGs, gram panchayats, cooperatives, etc.
4. BPL/AAY lists should be displayed on all FPSs.
5. District-wise and FPS-wise allocation of foodgrains should be put up on websites and other prominent places, the public scrutiny.
6. Wherever possible, door step delivery of foodgrains should be ensured by States. Instead of letting private transporters/wholesalers to transport goods.
7. Timely availability of foodgrains at FPS level and fixed dates of distribution of ration card holders should be ensured.
8. Training of members of FPS level Vigilance Committees should be ensured. Proposals for funding training can be sent to the Government of India.
9. Computerization of TPDS operations is undertaken.



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JOINT SECRETARY
GOVERNMENT OF INDIA
MINISTRY OF CONSUMER AFFAIRS,
FOOD & PUBLIC DISTRIBUTION
DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION
KRISHI BHAWAN, NEW DELHI-110 001

D.O. NO. 8-11/2002-S&I

October 9, 2002

Dear

State Governments and their agencies are engaged in the procurement of foodgrains under price support operations either on behalf of FCI or independently under the decentralized scheme. It has been observed that during the procurement of foodgrains proper arrangements are not being made by some of the State Governments and their Agencies. Specifically, the quality control mechanisms and measures for the scientific storage of foodgrains are inadequate. This results in procurement of sub-standard foodgrains and deterioration in the quality of foodgrains during storage. There is need to ensure that procurement and storage of foodgrains is properly regulated so that better quality foodgrains is available to consumers through TPDS and other welfare schemes.

2. Keeping in view the need to streamline the procurement of foodgrains, guidelines for the State Governments and their Agencies have been formulated by this Ministry. A copy of the same is enclosed to this letter.

3. It is requested that these guidelines may be circulated among all field functionaries who are engaged in the procurement and storage of foodgrains with instructions that these are strictly followed by all the officers. It is also requested that you may review the arrangements made in the light of these guidelines both at the commencement of the procurement season as well as periodically and send reports to this Ministry of the reviews undertaken. The FCI is also being asked to coordinate its efforts with the State Governments.

4. Action taken in this regard may be communicated to the Ministry.

Encl: As above.

Yours sincerely,

Sd/-

Secretary (Food & Civil Supplies),
All States/UTs.

(SANJAY KAUL)

ANNEXURE-II

Guidelines on Procurement of Foodgrains for the State Governments

1. General Guidelines

Grains procured under the decentralised procurement (DCP) scheme or by the State Governments on behalf of FCI are ultimately a part of the Central Pool. Therefore, there is a need to ensure that the existing DCP scheme is properly regulated the guidelines framed hereunder should be strictly followed by the State Governments, FCI and the officials of the S&R Division. The general guidelines for the procurement of foodgrains are as under:

- (i) Foodgrains should be procured strictly conforming to the Uniform Specifications prescribed by the Government of India. These specifications have already been issued by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India *vide* letter on 8-8/2002-S&I dated 20th September 2002 for KMS 2002-03. The uniform specifications of foodgrains should be widely publicised by the State Government. The uniform specifications should be prominently displayed at procurement centres and *mandis* so that the farmers may be fully aware of them.
- (ii) The Minimum support price (MSP) for the different foodgrains should also be publicised and displayed.
- (iii) Adequate number of *mandis*/procurement centres of States agencies should be set up and operated efficiently, effectively and economically.
- (iv) The field staff should be deputed in all the *mandis*/procurement centres well before the commencement of the season and pay office/district lab. etc. should be kept ready and functional in all respects.
- (v) Proper cleaning of the paddy/wheat/coarse grain stocks should be ensured before purchase. For this, necessary cleaning facilities should be provided.
- (vi) Stocks must be strictly procured on first come first served basis.
- (vii) There should be no undue delay in accepting stocks and making payment to farmers.
- (viii) Immediate clearance and liquidation of the procured foodgrain stocks from the *mandis*/procurement centres should always be ensured.
- (ix) Supervising officers should be continuously on the move for close supervision of the procurement operations including the quality of procured stocks.

2. Administrative arrangements

- (i) There should be no delay in the issue of authorisation for operation of bank accounts. It should be ensured that bank accounts are opened well before the commencement of the procurement season.

- (ii) There should be timely appointment of mandi labour contractors and transport contractors for handling operations in the *mandis*/purchase centres.
- (iii) Weights and scales, gunnies, dunnage material (wooden crates) polythene sheets/tarpaulins should be made available in time at all purchase centres. Weights and scales should be stamped/verified well before *mandi* operations.
- (iv) Adequate storage capacity should be arranged in advanced keeping in view the estimated procured stocks at various centres.

3. Quality assurance of the procured stocks

- (i) Quality inspectors/purchase staff at each every purchase centre must be fully equipped with analysis kits and moisture meters (duly calibrated).
- (ii) They should be aware of the procedure for physical analysis of foodgrains including determination of moisture content and Government of India's uniform specification of foodgrains applicable for the respective marketing season.
- (iii) Quality inspectors/purchase staff must have adequate number of cloth bags and polythene bags for drawing samples. These samples should be regularly sent to the District Office laboratory for analysis with proper labelling *viz.*, name of *mandi*, date of sampling commodity, signature of inspector etc.
- (iv) Adequate laboratory facilities for the analysis of foodgrains at district level should be provided by the State Governments. The expenditure may be met out of 2.5% administrative charges given to the State Governments for the procurement operations.

4. Operation in mandis/Purchase centres

- (i) Stocks brought by farmers should be heaped separately to maintain individual identity. Prior to purchase, the Quality inspectors/Purchase staff should inspect the stocks heap-wise, to assess quality and advise farmers to do necessary cleaning/upgradation wherever necessary.
- (ii) At the time of final acceptance of the stocks, the presence of officials of the *mandi* committee and representative of farmers is necessary. The report indicating the reasons for rejection of each rejected lot must be maintained by the quality inspector in a separate register.
- (iii) In case of any dispute arising on the quality of foodgrains, the quality inspector/purchase staff should bring the matter to the notice of senior officers without any delay.

5. Stitching and stencilling on bags

- (i) Manual stitching of paddy/coarse grain bags with minimum 14-16 cross stitches across the mouth of the bags should be carried out to avoid "bleeding" of the stock during handling, transportation and storage. In the case of wheat, double line machine stitching should be carried out. Wherever such facilities are not available, hand stitching as mentioned above, should be carried out.

- (ii) Quality inspector/purchase staff must ensure that proper stencilling on bags is done before packing of stocks procured. The stencilling should comprise name of the procuring agency, *mandi*, commodity, crop year and net weight.
- (iii) Stencilling marks should be in the middle of the bags.

6. Record of purchase

- (i) For each day's purchase, the *mandi* committee/purchase centres should maintain purchase records containing the name of the cultivator, commodity and approximate quantity in heaps and the name of the arthiya (commission agent, if any). Similar details should be maintained by the quality inspector/purchase staff for the lots purchased.
- (ii) The position of stocks purchased by procuring agency and private traders/rice millers should be reported daily to the district office/control room.

7. Payment

In the case of direct purchase from the farmers, payment must be ensured immediately after effecting the purchases. The purchase from farmers should be made after ensuring his proper identity (co-operative loan Book, etc.) This is necessary to avoid complaints of purchase through middle men.

8. Storage of foodgrains

Most of the paddy/wheat procured by State Government agencies is ordinarily stored in open space [covered and plinth (CAP) complexes] due to shortage of covered storage facilities. All necessary precautions should be taken to maintain the quantity and quality of foodgrains (wheat and paddy) particularly stored in CAP complex. The following code of practice for the scientific storage of foodgrains to be stored under CAP as well as in covered godowns should be followed by all procuring agencies to minimise losses during storage:

- (i) Site(s) selected for 'CAP' storage must be high plinth preferably with Pucca masonry work. These sites should have proper drainage facilities, good approach roads, necessary provision for security etc. The plinths should be free from cracks and crevices, termites and there should not be unwanted wild vegetation growth around the plinths.
- (ii) Proper Dunnage material viz. wooden creates/stone slabs/wooden poles, etc. should be used for stacking the bags to avoid damage to the lower layers from moisture.
- (iii) Stack planning must be done in such a manner so that alleyways (3 feet) gangways (5 feet) are left for proper operation of the CAP complexes.
- (iv) Stacks must be formed of standard size and height in a regular dome shape so as to avoid ballooning of the cover and avoid any accumulation of water on the stacks. The quantity of foodgrains to be stored in each stack should not be more than 150 MTs.

- (v) Rodent control measure must be taken regularly by fumigating the live rat burros with Aluminilum Phosphide Tablets (half tablet per burrow) or by poisoning the rat burrows with Zinc Phosphide (torpedo-bating).
- (vi) Birds (parrot, sparrow, pigeon, crow and maina, etc.), the major avian pests causing damage to foodgrains stored in CAPs should be kept away from complexes by using bird scares, making noise, destroying their nests, etc. These birds not only eat away the grains but cause extensive spillage, damage to the bags and polythene covers, thus rendering them unfit for fumigation.
- (vii) Prophylactic and curative control for the control of insects should be regularly carried out in CAP complexes. Malathion 50% EC in 1:100 dilution with water @ 3 litres Emulsion/100 Sq Mtr. of surface area should be sprayed at fortnightly intervals. Deltamethrin 2.5% WP (40 gms/litre of water) @ 3 litres Emulsion/100 Sq Mtr. of surface area) may be sprayed at three month intervals. Similarly, Aluminum Phosphide @ 9 gms/tonne may be used for fumigation of foodgrains as and when required.
- (viii) Moisture, a major factor responsible for adversely affecting the quality/ merchantability/nutritive value of the foodgrains must be controlled metculously. In CAP storage, sometimes the grain is, directly exposed to rain water due to leakage/seepage. Therefore, immediate aeration of such rain-affected stacks should be carried out during sunny days. Otherwise, this may cause germination of grains and development of fungus, and heating of grains which leads to deterioration.
- (ix) Only dedicated well motivated energetic and knowledgeable staff should be posted at CAP complexes who have the capacity and capability to take right decisions on the spot. They must have a set of detailed instructions in hand to consult and act upon.
- (x) The stacks should be broken and aerated where ever the heating of grain is observed.
- (xi) The staff must have the first aid kit and antedotes for insecticides and fumigants and knowledge for meeting unforeseen circumstances such as snake/scorpion bite, injury due to collapsing stacks etc.
- (xii) Sufficient number of ladders should available in the CAP storage premises for the inspection of the stacks from the top.
- (xiii) The staff must be specifically trained to pull, shift and move the polythene covers which is one of the main reasons for tearing up of the covers. The staff must also know as to how to effect minor repairs of the polythene covers. Necessary material for carrying out for such repairs should be provided to them.
- (xiv) The staff must be extra cautious while issuing the stocks as to avoid any complaints. In case of incidents of localized detarioration, flour formation inwheat bags, germination etc., same may be segregated from the sound stocks.

9. Quality control in the procurement of rice

The following steps should be taken for monitoring the quality of rice at the time of procurement/receipt in the godowns:

- (i) The rice should be procured/accepted strictly conforming to Uniform Specifications prescribed by the Government of India. Special care should be taken that the percentage of damaged grain, broken grains including small broken grains and moisture content is well within the laid down specifications.
- (ii) The samples of rice should be carefully drawn and should be analysed immediately before accepting the rice stocks.
- (iii) Some samples should be regularly sent to district office/laboratory for analysis.

10. Storage of rice

The storage function is an important link in the whole system of production, marketing and consumption of foodgrains. During storage, rice may be damaged due to abiotic factors *viz* temperature, moisture and biotic factors *viz* insects, rodents, birds and micro-organisms. The type of damage caused is summarised below:

(a) Damaged by abiotic factors

- (i) Damage to stocks due to exposure during natural calamities like fire, flood, cyclone etc.
- (ii) Damage to bottom layer stocks due to absorption of floor seepage if stacked on baked floor without proper and adequate dunnage.
- (iii) Prolonged storage in open due to constant exposure to sun and rain and leakage in CAP covers etc.
- (iv) Negligence in undertaking storage as per laid down code of storage practices and due to unscientific storage godowns.

(b) Damage by biotic factors

- (i) Insect infestation during storage resulting in excessive weevilisation, powder formation etc.
- (ii) Microbial (fungal) damage due to excessive moisture in the grain resulting in charring/caking of grains due to 'wet grain heating'.

Steps to be taken for safe storage of rice

To ensure safe storage of rice and avoid any damage, the following steps should be taken:

- (i) Rice with moisture content within the safe storage limit as per uniform specifications only should be procured/accepted for storage.
- (ii) Stocks should be stored in scientific godowns.
- (iii) Suitable dunnage such as wooden crates or bamboo mats sandwiched with polythene film should be used to avoid absorption of floor seepage.

- (iv) Stocks should be properly stacked and periodically inspected every fortnight to check development of insect infestation, if any.
- (v) The stocks should be subjected to prophylactic treatment with Deltamethrin, Malathion or air charging with DDVP for prevention of insect infestation.
- (vi) In case of heavy insect infestation, immediate curative action by way of fumigation with suitable fumigant should be undertaken.
- (vii) The stocks should be issued on "first-in-first-out" (FIFO) basis so as to avoid damage to stocks due to prolonged storage.

Proper training of the staff engaged in procurement and storage of foodgrains should be arranged by the State Government. Short duration training programme on procurement and scientific storage of foodgrains may be organised by the Ministry of Consumer Affairs, Food & Public Distribution and FCI on the request of the State Government.

11. Role of the FCI

As foodgrains procured under the DCP scheme or by the State Government's on behalf of FCI ultimately belong to the Central Pool, it is important that the officers of the FCI at H.Qtrs. as well as at Zonal and Regional Offices level also ensure that the scheme is implemented as per the guidelines issued by this Department. In specific terms, the following steps should be taken by the FCI Officers:

- (i) The Head Quarter and the Zonal Office of FCI may depute teams to the DCP states on a regular basis during the procurement season comprising both administrative and quality control staff. The team should make random visits to the procurement centres/locations. They should interact with the state agencies and regional offices and provide guidance and supervision for smooth procurement operations.
- (ii) These teams should take up detailed review to ensure that all the guidelines enumerated above are being strictly followed.
- (iii) The regional offices should be in constant touch with the state agencies. The SRMs, DMs and quality control (QC) staff should be constantly on the move draw random samples on daily basis. Where ever lapses are noticed, these should be brought to the notice of the food Secretary of the State as also to the FCI H.Qtrs. and the Ministry.
- (iv) The QC Division of the FCI based on the information collected by the team/ regional offices prepare a monthly report for submission to MD, FCI, Ministry and the concerned State Government, with suggestions for corrective actions, where ever lapses have been reported.

12. Role of the S&R Division

- (i) The quality control officers of the S&R division should also ensure that the guidelines mentioned above are strictly followed by the procuring agencies of the State Governments.

- (ii) They should carry out inspections of the procurement centres of the State agencies and collect the samples of foodgrains for analysis to know the quality of foodgrains. The cases of procurement of Beyond Rejection Limit (BRL) foodgrains should be brought to the notice of concerned State Governments.
- (iii) The officers of S&R Division should also carry out detailed inspection of CAP complexes/covered godowns to ensure that the code of practices of scientific storage of foodgrains are adopted by the agencies.

ANNEXURE-III



Dr. Joy I. Cheenath
Joint Secretary (Impex, SRA,
EOP) & QCC
Tele: 2338 2956 - Fax: 2309 7028

D.O. No. 40-8/2007-QCC/861

Dear

State Governments and their agencies are engaged in the procurement of foodgrains under Price Support Operations either on behalf of FCI or independently under the decentralized procurement scheme. Keeping in view the need to streamline the procurement of foodgrains, guidelines for the State Governments and their agencies had been formulated and issued *vide* this Ministry's DO No. 8-11/2002-S&I dated 9.10.2002. These guidelines clearly envisaged inspection of the stocks procured by State Governments/their agencies by the FCI.

2. Accordingly, FCI was also instructed to inspect such stocks besides officers of Quality Control Cells of the Ministry who inspect stocks being procured/procured by the procuring agencies, with a view to monitoring its quality. In the past, it has come to the notice that some of the State Governments/field functionaries of State Governments have been showing reluctance in facilitating inspection of stocks of State Governments and its agencies by FCI. You may appreciate that the FCI is inspecting stocks procured by State Governments and its agencies on behalf of Government of India. As such, not allowing FCI to inspect the stocks procured by State Governments/its agencies is contrary to guidelines.

3. As the finances of Government of India are involved in procurement operations, it becomes imperative on the part of the procuring agencies (FCI and State agency) to adhere to quality norms fixed by the Government of India and facilitate inspection by the officers of Government of India and their representatives of stocks procured/being procured by them.

SI.No.-2(I)
संयुक्त सचिव
भारत सरकार

उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण मंत्रालय
खाद्य और सार्वजनिक वितरण विभाग
कृषि भवन, नई दिल्ली - 110 001

JOINT SECRETARY
GOVERNMENT OF INDIA
MINISTRY OF CONSUMER AFFAIRS,
FOOD & PUBLIC DISTRIBUTION
DEPARTMENT OF FOOD AND
PUBLIC DISTRIBUTION
KRISHI BHAWAN,
NEW DELHI-110 001

September 19, 2007

4. I therefore, request you to kindly take immediate necessary action to ensure that foodgrains are procured strictly as per uniform specifications and regular inspection of stocks by FCI is facilitated. Action taken in this regard may please be intimated to this Ministry, at the earliest.

With regards,

Yours sincerely,

Sd/-

(Dr. Joy I. Cheenath)
Joint Secretary (Impex, EOP & SRA)

Encl: As above

To

Secretary (by name),
Department of Food & Civil Supplies,
Govts. of Andhra Pradesh, Assam, Bihar, Chhattisgarh,
Haryana, Jharkhand, Karnataka, Madhya Pradesh, Orissa,
Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal.
Copy to: CMD, FCI, New Delhi—for information and necessary action.

ANNEXURE-IV

State-wise details of BPL Families

States/UTs	Accepted No. of BPL Families as on March 2000 population and 1993-94 poverty estimate	Estimated No. of BPL Families as on March 2008 Population and 2004-05 poverty estimates	In lakh
			Difference
1	2	3	4
A.P.	40.63	28.85	-11.78
Arunachal Pradesh	0.99	0.41	-0.58
Assam	18.36	10.92	-7.44
Bihar	65.23	64.74	-0.49
Chhattisgarh	18.75	18.96	0.21
Delhi	4.09	4.92	0.83
Goa	0.48	0.49	0.01
Gujarat	21.20	18.22	-2.98
Haryana	7.89	5.84	-2.05
H.P.	5.14	1.31	-3.83
J&K	7.36	1.03	-6.33
Jharkhand	23.94	21.60	-2.34
Karnataka	31.29	28.14	-3.15
Kerala	15.54	10.93	-4.61
M.P.	41.25	48.24	6.99
Maharashtra	65.34	66.97	1.63
Manipur	1.66	0.78	-0.88
Meghalaya	1.83	0.85	-0.98
Mizoram	0.68	0.25	-0.43
Nagaland	1.24	0.68	-0.56
Orissa	32.98	38.57	5.59
Punjab	4.68	3.99	-0.69
Rajasthan	24.31	23.42	-0.89

1	2	3	4
Sikkim	0.43	0.25	-0.18
Tamil Nadu	48.63	34.74	-13.89
Tripura	2.95	1.38	-1.57
U.P.	106.79	96.33	-10.46
Uttarakhand	4.98	7.10	2.12
West Bengal	51.79	42.56	-9.23
A&N Islands	0.28	0.20	-0.08
Chandigarh	0.23	0.17	-0.06
D&N Haveli	0.18	0.18	0.00
Daman & Diu	0.04	0.04	0.01
Lakshadweep	0.03	0.02	-0.01
Pondicherry	0.84	0.53	-0.31
Total	652.02	583.61	-68.41

ANNEXURE-V

**Statement showing the number of bogus/ineligible rations cards deleted by the
State/UT Governments with effect from July 2006 onwards**

(as on 30.06.2008)
(fig. in lakhs)

Sl. No	State	Year	BPL/AAY Lists & Nos. of bogus cards deleted
1.	Andhra Pradesh	06-07	10.46
2.	Assam	06-07	0.02
3.	Chhattisgarh	06-07	2.00
4.	Delhi	06-07	14.62
5.	Gujarat	06-07	0.36
6.	Karnataka	06-07	3.48
7.	Madhya Pradesh	07-08	24.87
8.	Maharashtra	06-07&07-08	29.45
9.	Orissa	06-07	2.50
10.	Uttar Pradesh	06-07	3.96
11.	Uttaranchal	06-07&07-08	0.14
12.	West Bengal	06-07	5.00
Total			96.86

ANNEXURE-VI

State-wise details of action taken against the officials/persons who had issued bogus ration cards and individuals who were detected possessing bogus ration cards with effect from July, 2006

(As compiled on 30.06.08)

Sl. No.	Name of the State/UT	Number of bogus ration cards deducted/ deleted/ cancelled	Number of staff members who had issued such bogus ration cards	Details of action taken against the staff responsible	Number of persons/ families found possessing bogus ration cards	Details of action taken against such persons/families
1.	Himachal Pradesh	There are no bogus/ghost ration cards of BPL/AAY in the State as cards under the scheme are issued to the beneficiaries as per the identification list supplied by the Rural/Urban Department. 103	41	Staff is not responsible for issue since later the card holders migrate to some other issued places due to various reasons without cancelling the cards. Such cards are detected and cancelled.	77	Where invalid cards were found registered with Authorized Retail Depots (ARDs)/Fair Price Shops (FPS), their authorization has been suspended. Single member cards due to expiry of card holder.
2.	Kerala	genuine cards are issued and later the card holders migrate to some other issued places due to various reasons	41	genuine cards are They detect invalid cards on verification and cancel them.		
3.	Maharashtra	29,45,000 approximately		The distribution of foodgrains have been stopped against these ration card holders.		

1	2	3	4
4.	Mizoram	889	No action has been taken against the defaulting officials/families during the period in question.
5.	Chandigarh	6935 BPL 2519 AAY	These cards have been weeded out/deleted as they were found to have either attained the status of APL or found to have shifted from Chandigarh. In these circumstances, no penal action has been taken against any person/official.
6.	Pondicherry	422	As the door to door enumeration was done by engaging the services of various Government Departments' officials, the responsibility may not be fixed in this regard at this juncture.
7.	Goa		
8.	Tripura		No bogus ration cards have been detected.
9.	A&N Island		
10.	D&N Haveli		

ANNEXURE-VII

**Statement showing results of action taken by the State/UT Governments
under Clauses 8 & 9 of the PDS (Control) Order, 2001 from
January 2006 to June, 2008**

Sl. No.	Name of the State/UT	Year	Number of FPS inspected	Number of raids conducted	Number of persons arrested/ prosecuted/ convicted	Number of FPS Licenses suspended/ Cancelled/ Show cause notices issued/FIR lodged
1	2	3	4	5	6	7
1.	Andhra Pradesh	2006	18929	5001	48	635
		2007	12484	3379	8	1415
		2008	*	*	*	*
2.	Arunachal Pradesh	2006	89	37	00	139
		2007	81	9	00	51
		2008	*	*	*	*
3.	Assam	2006	322	309	24	22
		1007	2346	630	15	484
		2008	*	*	*	*
4.	Bihar	2006	25431	138	1	1738
		2007	00	69	2	00
		2008	*	*	*	*
5.	Chhattisgarh	2006	9276	1370	14	1056
		2007	16719	907	90	862
		2008	10772	840	49	384
6.	Delhi	2006	508	62	46	321
		2007	235	94	72	248
		2008	135	121	252	125
7.	Goa	2006	92	05	00	00
		2007	116	00	00	26
		2008	38	00	00	00
8.	Gujarat	2006	17440	10	225	82
		2007	15454	01	186	86
		2008	5324	02	11	71
9.	Haryana	2006	2373	491	12	2934
		2007	1777	457	26	2803
		2008	567	190	12	878
10.	Himachal Pradesh	2006	19766	00	5	1339
		2007	29522	00	47	2548
		2008	7271	00	1	510

1	2	3	4	5	6	7
11.	J&K	1.01.06 to 31.03.07	7532	1390	228	255
		2008	*	*	*	*
12.	Jharkhand	2006	*	*	*	*
		2007	17364	00	00	2777
		2008	*	*	*	*
13.	Karnataka	2006	674	23	13	15
		2007	*	*	*	*
		2008	*	*	*	*
14.	Kerala	2006	161010	8111	5	516
		2007	124433	43428	1	225
		2008	32976	29752	00	53
15.	Madhya Pradesh	2006	*	*	*	*
		2007	*	*	*	*
		2008	*	*	*	*
16.	Maharashtra	2006	00	557	1449	00
		2007	*	*	*	*
		2008	*	*	*	*
17.	Manipur	2006	124	1	00	00
		2007	101	8	00	00
		2008	20	4	2	00
18.	Meghalaya	2006	900	208	7	66
		2007	2075	184	10	139
		2008	*	*	*	*
19.	Mizoram	2006	76	79	00	00
		2007	92	190	00	00
		2008	*	*	*	*
20.	Nagaland	2006	101	11	00	00
		2007	83	00	00	00
		2008	*	*	*	*
21.	Orissa	2006	74384	1478	75	1560
		2007	76766	4885	161	2212
		2008	15728	504	44	356
22.	Punjab	2006	*	*	*	*
		2007	*	*	*	*
		2008	*	*	*	*
23.	Rajasthan	2006	87	907	211	07
		2007	00	490	203	00
		2008	*	*	*	*
24.	Sikkim	2006	*	*	*	*
		2007	*	*	*	*
		2008	*	*	*	*
25.	Tamil Nadu	2006	2414	9775	52	00

1	2	3	4	5	6	7
		2007	83	11584	854	00
		2008	70261	6490	325	00
26.	Tripura	2006	9501	79	04	210
		2007	9410	547	16	297
		2008	2027	144	1	99
27.	Uttarakhand	2006	16979	16979	30	264
		2007	9788	9788	29	104
		2008	2543	2543	22	25
28.	Uttar Pradesh	2006	217992	12589	1303	13887
		2007	245253	34999	3385	17240
		2008	61372	9855	1494	3576
29.	West Bengal	2006	2130	417	229	501
		2007	995	342	153	123
		2008	*	*	*	*
30.	A&N Islands	2006	369	00	00	25
		2007	234	00	00	00
		2008	82	00	00	1
31.	Chandigarh	2006	98	1	3	63
		2007	42	00	00	07
		2008	*	*	*	*
32.	D&N Haveli	2006	73	00	00	02
		2007	40	00	00	00
		2008	6	19	00	00
33.	Daman & Diu	2006	*	*	*	*
		2007	*	*	*	*
		2008	*	*	*	*
34.	Lakshadweep	2006	*	*	*	*
		2007	24	00	00	00
		2008	00	00	00	00
35.	Pondicherry	2006	2040	113	33	10
		2007	4288	850	66	00
		2008	1561	163	12	00
Total		2006	590710	60141	4567	25647
		2007	569810	112499	5525	31647
		2008	210683	50627	2225	6078
Grant Total=			1371203	223267	12317	63372
2006+2007+2008						

*Information not provided

ANNEXURE-VIII

(As on 31.7.2008)

**Statement showing additional commodities being distributed through Pds outlets
other than Wheat, Rice, Coarsegrain, Sugar & Kerosene Oil
(As reported by respective State/Ut.)**

Sl. No.	State/UT	Name of Item/Commodity
1	2	3
1.	Andhra Pradesh	1. enriched Wheat flour 2. Iodized Salt (G.M.) 3. Red Gram Dal 4. Tamarind 5. P. Oil 6. Black Gram Dal 7. Green Gram Dal
2.	Arunachal Pradesh	1. Edible Oil 2. Pulses 3. Vanaspati Ghee 4. Milk Powder 5. Baby Food 6. Dry Cells 7. Matches 8. All types of soap 9. Paper including newsprint, paper boar & straw boar 10. Hurricane Lanterns 11. Lead writing pencils 12. Exercise books 13. Butter 14. Tea 15. Yarn
3.	Assam	1. Iodised salt under State Zonal quota 2. -do-
4.	Bihar	No item other than PDS items is sold through FPS.
5.	Chhattisgarh	Iodized Amrit Salt
6.	Delhi	No. additional commodities is sold through FPS on subsidized rates
7.	Goa	Taluka Mormugao, Goa 1. Sugar (Open Market) 2. Tur dal 3. Masur Dal 4. Vartana

1	2	3
		5. Harbour 6. Chana dal 7. Joggary 8. Rava 9. Atta 10. Maida
		Taluka Sanguem, Goa
		1. Onion 2. Potatoes 3. Tea Powder do branded packets 4. Iodized salt 5. Palmoleine Oil 6. Veg. Ghee Packets 7. Sugar 8. Rava 9. Maida 10. Atta
		11. Tur dal, masur dal, Chana dal, Moong dal, Urad dal, etc.
8.	Gujarat	1. Iodized Salt 2. Edible Oil
9.	Haryana	The State Govt. has issued instructions to all District Food & Supply Officers to sell also items other than PDS items <i>i.e.</i> Pulses, Copies, Vegetable Oil, Candle, Match Box, Salt and Soap through FPS and the State Govt. has no objection in this regard.
10.	Himachal Pradesh	1. Dal Malka 2. Dal Channa 3. Urad Sabut 4. Mustard Oil 5. Refined Oil 6. Iodized Oil
11.	J&K	No item other than PDS items is sold through FPS.
12.	Jharkhand	Iodized salt
13.	Karnataka	1. Crystal (Common) and free flow salt brand name suruchi Iodized Salt 2. Condom
14.	Kerala	1. Green Gram 2. U.D. Washed 3. U.D.

1	2	3
		Split
4.	B.G Bold	
5.	Lobia	
6.	Toor dal	
7.	Peas dal	
8.	Chillies	
9.	Corriander	
10.	Cuminseed	
11.	Mustard	
12.	Maida	
13.	Sabari tea	
14.	Sabari Palm Oil 1 Ltr.	
15.	Free flow salt 1 kg.	
16.	Crystal Salt 1 kg.	
15.	Madhya Pradesh	No item other than PDS items is sold through FPS.
16.	Maharashtra	Not reported
17.	Manipur	Not reported
18.	Meghalaya	Not reported
19.	Mizoram	Nil
20.	Nagaland	Not reported
21.	Orissa	The Govt. has allowed to FPS owners to sale non-PDS commodities in FPS. FPS have been allowed to operate Public Telephone Booth.
22.	Punjab	Not reported
23.	Rajasthan	Iodized Salt
24.	Sikkim	FPS in the State are permitted to sell all consumer items. However, no subsidy is provided to the additional items/commodities sold by them.
25.	Tamil Nadu	<ol style="list-style-type: none"> 1. Toor Dal 2. Oral Dal 3. Palm Oil 4. Rava 5. Maida
26.	Tripura	<ol style="list-style-type: none"> 1. Atta (wheat is converted into whole meal atta) 2. Iodized Salt in 1(one) kg. poly packet
27.	Uttaranchal	Not reported
28.	Uttar Pradesh	<ol style="list-style-type: none"> 1. Soap 2. Toothpaste 3. Oil 4. Pulses

1	2	3
29. West Bengal		Iodized Salt Tea ORS Tablet Condom & Sanitary napkins 1. Mustard Oil
30. A&N Islands		Iodized Salt a) Essential
31. Chandigarh		b) Labonya No item other than PDS items is sold through FPS.
32. D&N Haveli		FPS are granted to the kiriyana merchants who apart from distributing the Essential commodities under TPDS to BPL & AAY are also retailing grocery items and other items of daily use like Toothpaste, soaps, detergent powder, tea, salt, match boxes etc.
33. Daman & Diu		No item other than PDS items is sold through FPS.
34. Lakshdweep		Not reported
35. Pondicherry		Not reported 1. Toor Dal 2. Black Gram 3. Coriander 4. Long chillies 5. Iodised Powdered salt 6. Tamarind

ANNEXURE-IX

Summary of Concurrent Evaluation of the Targeted Public Distribution System (Study Conducted by the NCAER)

The main objective of the study was to examine the extent to which foodgrains disbursed under TPDS were actually reaching the BPL and AAY categories of population in the country and to identify the incidence as well as the mode of irregularities in the system. The study was carried out with the help of primary survey. Six States namely, Assam, Mizoram, UP, Bihar, Chhattisgarh and Rajasthan were selected for the primary survey. A total number of 6000 households (one thousand for each state) were surveyed consecutively for 6 months period for detailed information. The purpose of surveying some households repeatedly for six times was to check the regularity of the delivery of PDS and its other efficiency indicators. The BPL and APL samples were drawn in the proportion of 80 and 20, respectively. The main findings of the study are the following:

The delivery mechanism of PDS was found more effective in four of the six selected States. More than 80 per cent of the below poverty households obtained their entitled quantity of cereals quite regularly. The delivery was very poor in Bihar and less than satisfactory in Assam (*see Table 1*). The entitlement of food for below poverty households including that of antyodaya families was fixed at 35 kgs., either for wheat/rice or combination of these two. In the selected States, majority of the below poverty households received close to the fixed entitlement of these two cereals except in the case of Mizoram, where a majority of the poor households obtained around 25kgs., of rice. The food distributed through PDS could meet 2/3rd share of the total food requirement of the poor except in the case of Bihar where it could fulfil only 1/3rd food requirement of the poor. The price charged for PDS food was close to Rs. 2 per kg. for wheat and Rs. 3 per kg. for rice for majority of antyodaya families. Similarly, for the other below poverty households, in majority of the cases, price paid was close to the stipulated price. However, among a few households, higher than the stipulated prices were paid because shop-keepers passed on the transportation charges to the households.

Reporting quality of grains distributed, a majority of the households were satisfied with the quality of grain supplied in almost all the States except Bihar. In Bihar, more than 70 per cent households were not happy with the quality supplied through government shops. Presence of impurities, insect infested supply, broken grains and very bad taste of the grains were the common reasons for their dissatisfaction. Similar problems were quoted by the discontented households in the other States also. Household rated the performance of TPDS during the period of distress as satisfactory or highly satisfactory in Chhattisgarh, Assam and Mizoram. It was satisfactory in Rajasthan and Uttar Pradesh, while in Bihar, around half of the interviewed households rated it poor or very poor.

Although delivery of grains was found working well in majority of the selected States, flaws in identification of target groups were noticed in all the selected States. Alongwith problems of identification, excess number of cards issued and huge amount of diversion of food was found among most of the selected States. Using the census

data and the number of cards issued based on the secondary sources (Ministry of Food), number of excess cards/unidentified families were calculated for all the States as well as for the all India. The number of excess cards issued was very high in Uttar Pradesh, Rajasthan, Madhya Pradesh and Haryana. The total number of excess cards issued at all India were more than 2 crore. Similarly, unidentified families without having any card aggregated at 1.2 crore at the all India level. The study calculated excessive targeting (inclusion of non-poor) and failure of targeting (exclusion of poor from the Subsidy) errors for all the States as well as all India using the same sources. The exclusion of poor from the subsidy scheme was highest in Goa and Uttarakhand where the TPDS failed in targeting up to 30 per cent. The inclusion of non-poor in the subsidized food was a much more severe problem and the incidence was found occurring in almost all the States. At the all India level, inclusion error was up to 25 per cent as number of BPL cards issued were 9.7 crore in comparison to only 5.8 crore existing families. By comparing the observed per capita income and expenditure from our survey data with the Planning Commission cut-off income for poverty, the extent of inclusion and exclusion errors was worked out (for the selected States). The average income and expenditure criterion indicated that inclusion error was highest around 75 per cent in Mizoram, 50 to 60 per cent in Assam, around 50 per cent in Rajasthan and Bihar, around 35 per cent in Chhattisgarh and 20 to 30 per cent in Uttar Pradesh. On the exclusion error, the data indicated that the phenomenon of poor households being not issued a below poverty card was minimum in the North-Eastern States, less than 15 per cent, followed by Uttar Pradesh, Bihar, Chhattisgarh and Rajasthan.

In addition to the incidence of mis-targeting, there was some proportion of food that was not being actually distributed among any of the households but it was shown in the state records as uplifted. Therefore, we can presume that foodgrains not distributed but withdrawn from the state accounts were being diverted to the black market or in the open market or may be distributed among the non-poor people at a higher price. Among the selected States, diversion of Antyodaya food was found in two States namely, Bihar and Mizoram. The magnitude of diversion was estimated up to 41 per cent for wheat in Bihar and 36 per cent for rice in Mizoram. In the case of other below poverty households, almost all States had the incidence of diversion, except Rajasthan. The diversion was highest in Assam and Mizoram in rice, and Bihar and Chhattisgarh in wheat. In all these cases, diversion was up to 40 per cent of total offtake. In the case of food designated for the above poverty households, the whole amount of wheat offtake and more than 80 per cent of rice offtake were diverted in the two North-Eastern States of Assam and Mizoram. In the other four States diversion of food for APL households was found only in Chhattisgarh (See Table 2).

Thus, study portrays a mixed picture. On the one hand, food was being delivered to the poor quite regularly during the survey period in majority of the selected States. the Fact that poorest of the poor do obtain their entitlement quite regularly indicates allocative efficiency of the PDS system including that of fair price shops. On the other hand, deeper probing revealed gross irregularities indicating large-scale identification errors, excess cards issued and widespread diversion of food entitled for the poor. These issues need to be corrected if the functioning of the PDS system is to be improved. The correct identification of the beneficiary is the first step in that direction.

Although, attempts have been made to decentralize the identification process by involving the Panchayats and other Local Bodies, the latter process has also to some extent politicized the whole process of identification of the poor. This is happening because of complete lack of monitoring of the system at any stage. Given the ground reality, it would not be possible to improve the PDS system unless the consumer especially the poorest ones become aware of their rights. The problem of identification error arises because of lack of information/awareness among the poor about the eligibility criteria for the AAY or BPL or any other welfare schemes for that matter. The people in the lower strata seem to be unaware of the criteria being followed in issuing AAY, BPL or APL card. It would not be possible to improve this system unless the consumers are properly educated on these issues. For this purpose mass information system like local language newspapers, regional radio and television stations should be used to keep the villagers informed and updated about the criteria, entitlement, price of PDS grains etc. Proper monitoring of the system and effective punishment against the culprit for wrong identification would be needed. It would be more appropriate if there are multiple authorities cross checking the identification. In the long run, distribution system should be computerized and all FPS and civil supply godowns should be connected online. This will bring more efficiency and transparency in the system and reduce the scope for diversion of benefits away from the beneficiaries.

Table 1: Percentage of households obtaining their entitlement of cereals in the selected states during 6 months of survey period

	Rajasthan	Chhattisgarh	Uttar Pradesh	Bihar	Assam	Mizoram
Antyodaya families	91.3	94.7	92.8	55.3	61.9	88.9
Other below poverty Households	90.7	95.8	85.8	36.3	66.7	85.4

Table 2: Diversion of food in the selected states (Percentage of off-take)

	Rajasthan	Chhattisgarh	Bihar	Uttar Pradesh	Assam	Mizoram
Antyodaya Families						
Rice	0.0	0.0	0.0	0.0	1.5	36.2
Wheat	0.0	0.0	41.4	0.9	0.0	0.0
Other Below Poverty Households						
Rice	0.0	1.0	0.0	8.3	45.2	37.4
Wheat	0.0	42.3	46.9	20.7	0.0	0.0

	Rajasthan	Chhattisgarh	Bihar	Uttar Pradesh	Assam	Mizoram
Above poverty households						
Rice	0.0	0.0	0.0	0.0	83.3	81.1
Wheat	0.0	78.3	0.0	0.0	10.0	100.0

APPENDIX I

MINUTES OF THE THIRD SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10) HELD ON 27TH OCTOBER, 2009

The Committee sat from 1230 hrs to 1330 hrs. on 27th October, 2009 in Room No. 53, First Floor, Parliament House, New Delhi.

PRESENT

Shri Jaswant Singh — *Chairman*

Lok Sabha

2. Shri Naveen Jindal
3. Shri Bhartruhari Mahtab
4. Shri Jitendra Singh (Alwar)
5. Kunwar Rewati Raman Singh
6. Shri Aruna Kumar Vundavalli

Rajya Sabha

7. Shri Prasanta Chatterjee
8. Shri Sharad Anantrao Joshi
9. Shri Ashwani Kumar
10. Dr. K. Malaisamy

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri Sanjeev Sharma — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Vinod Rai — Comptroller & Auditor General of India
2. Ms. Rekha Gupta — Dy. CAG Report Central (RC),
3. Shri Gautam Guha — Director General of Audit, (Defence Services)
4. Shri R.B. Sinha — Director General (Report Central)
5. Shri P.K. Kataria — Pr. Director (Report Central)

A. Representatives of the Ministry of Human Resource Development (Department of School education and literacy)

1. Smt. Anshu Vaish — Secretary (SE&L)
2. Shri S.K. Ray — AS&FA (HRD)
3. Smt. Anita Kaul — Joint Secretary
4. Shri Ananti Kumar Singh — Joint Secretary

B. Representative of the Ministry of Health & Family Welfare

Shri Amit Mohan Prasad — Joint Secretary

**C. Representative of Ministry of Consumer Affairs, Food And Public Distribution
(Department of Food & Public Distribution)**

Shri Bhagwan Sahai — Joint Secretary

2.	****	****	****
3.	****	****	****
4.	****	****	****

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the sitting has been kept on record.

5. The Committee, then, took up the following Draft Reports for consideration:—

(i)	****	****	****
(ii)	Draft Action Taken Report on the Observations/Recommendations of the Committee contained in their Seventy-third Report (Fourteenth Lok Sabha) on 'Management of Foodgrains'; and		
(iii)	****	****	****

6. After some discussion, the Committee adopted the abovementioned Draft Reports. The Chairman, however, desired that suggestions/modifications, if any, of the Members may be communicated to the Lok Sabha Secretariat latest by 4th November, 2009.

7. The Committee, then, authorized the Chairman to finalise the Draft Reports in the light of the factual verifications received from the Office of the C&AG and present the same to the House on a date convenient to him.

The Committee then adjourned.

**** Matters not related to this Report.

APPENDIXII

(Vide Para. 5 of Introduction)

Analysis of the Action taken by the Government on the Observations/ recommendations of the Public Accounts Committee contained in their Seventy-third Report (Fourteenth Lok Sabha)

(i) Total Number of Observations/Recommendations **23**

(ii) Observations/Recommendations which have been accepted by the Government
Sl.No./Paragraph Nos.

Sl. Nos. 1,2,3,4,5,7,9,10,16,17,18,21,22 &23

Total : 14

Percentage : **61**

(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government.

Sl. Nos. 11,12,13 &15

Total : 4

Percentage : **17**

(iv) Observations/Recommendations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration.

Sl. Nos. 6,14,19 &20

Total : 4

Percentage : **17**

(v) Observations/Recommendations in respect of which the Government have furnished interim replies

Sl. No. 8

Total : 1

Percentage : **5**