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**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS
AND PUBLIC DISTRIBUTION (2014-2015)**

SIXTEENTH LOK SABHA

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

{Action Taken by the Government on the observations/
recommendations contained in the First Report of the Committee (2014-15)
on Demands for Grants (2014-15) pertaining to the Department of Food and
Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution)}

FIFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2015/ Sravana, 1937 (Saka)

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on Demands for Grants (2014-15) pertaining to the Ministry of Consumer
Affairs, Food and Public Distribution (Department of Food and Public
Distribution)}

Presented to Lok Sabha on 10.08.2015

Laid in Rajya Sabha on 10.08.2015



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2015/ Sravana, 1937 (Saka)

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Composition of the Standing Committee on Food, Consumer Affairs and Public Distribution (2014-15)

Shri J.C. Divakar Reddy, Chairperson

Lok Sabha

2. Shri Anto Antony
3. Shri Babu Lal Choudhary
4. Shri Sanjay Jadhav (Bandu) Haribhau
5. Shri Dinesh Kashyap
6. Shri Dharmendra Kumar
7. Shri Ravinder Kushawaha
8. Smt. Sakuntala Laguri
9. Dr. Sakshi Maharaj
10. Shri R. K. Bharathi Mohan
11. Shri Sunil Kumar Mondal
12. Shri Kamlesh Paswan
13. Shri Ram Chander Paswan
14. Shri C.S. Putta Raju
15. Smt. Priyanka Singh Rawat
16. Shri P.V. Midhun Reddy
17. Shri Bhola Singh
18. Shri Brij Bhusan Sharan Singh
19. Shri Shibu Soren[#]
20. Shri Prabhubhai Nagarbhai Vasava
21. Shri Nandi Yellaiah

Rajya Sabha

22. Shri Shadi Lal Batra
23. Shri Pankaj Bora
24. Shri Mithun Chakraborty
25. Dr. Bhushan Lal Jangde
26. Dr. Prabhakar Kore^{**}
27. Ms. Rekha
28. Dr. K. Keshava Rao^{*}
29. Shri K.K. Ragesh[@]
30. Shri Dhiraj Prasad Sahu
31. Shri Veer Singh[&]

LOK SABHA SECRETARIAT

- | | | |
|---------------------|---|------------------|
| 1. Shri A.K. Shah | - | Director |
| 2. Shri Khakhai Zou | - | Deputy Secretary |

Nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 7.10.2014.

* Nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15 w.e.f. 08.10.2014 from the Standing Committee on Water Resources.

** Nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 19.12.2014 vice Shri Amar Singh MP (RS) retired from the membership of Rajya Sabha w.e.f. 25.11.2014.

& Shri Veer Singh, MP (RS) ceased to be a member of the Committee on Food, Consumer Affairs and Public Distribution (2014-15) upon his retirement from the membership of Rajya Sabha w.e.f. 25.11.2014 and re-nominated to the Committee w.e.f. 19.12.2014.

@ Shri K.K. Ragesh, MP (RS) nominated to the Committee on Food, Consumer Affairs and Public Distribution (2014-15) w.e.f. 06.05.2015 vice changed of nomination of Shri Ritabrata Banerjee to the Standing Committee on Transport, Tourism and Culture w.e.f. 06.05.2015.

INTRODUCTION

I, the Chairperson of the Standing Committee on Food, Consumer Affairs and Public Distribution (2014-15) having been authorized by the Committee to submit the Report on their behalf, present this Fifth Report on Action Taken by the Government on the Observations/Recommendations contained in the First Report of the Committee (2014-15) on Demands for Grants (2014-15) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The First Report was presented to Lok Sabha and laid in Rajya Sabha on 22 December, 2014. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 5 March, 2015.

3. The Report was considered and adopted by the Committee at their sitting held on 2 June, 2015.

4. An analysis of the action taken by the Government on Observations/Recommendations contained in the Report is given in **Appendix II**.

5. For facility of reference and convenience, the Observations/Comments of the Committee have been printed in thick type in the text of the Report.

NEW DELHI;
9 June, 2015
19 Jyaishta, 1937(Saka)

J C DIVAKAR REDDY,
Chairperson,
Standing Committee on Food,
Consumer Affairs and Public Distribution.

CHAPTER - I

DRAFT REPORT

This Report of the Standing Committee on Food, Consumer Affairs and Public Distribution deals with the action taken by the Government on the Observations/Recommendations contained in the First Report of the Committee (2014-15), (16th Lok Sabha) on Demands for Grants (2014-15) pertaining to the Department of Food and Public Distribution (Ministry of Consumer Affairs, Food and Public Distribution)

1.2 The First Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 22.12.2014. It contained 26 observations/ recommendations. Action taken replies in respect of all the 26 observations/recommendations contained in the Report have been received and these have been categorized as follows:-

- (i) Recommendations which have been accepted by the Government :

Serial Nos.:- 1, 5, 6, 9, 10,13, 15, 16, 17, 18, 25 and 26.

(Chapter – II, Total - 12)

- (ii) Recommendations which the Committee do not desire to pursue in view of the replies received from the Government
Serial Nos. 8, 12 and 14.

(Chapter – III, Total - 3)

- (iii) Recommendations in respect of which replies of the Government have not been accepted by the Committee:
Serial No. Nil

(Chapter – IV, Total -0)

- (iv) Recommendations in respect of which the interim replies of the Government have been received.

1.3 The Committee desire that action taken notes on the Observations/Recommendations contained in Chapter I and recommendations contained in Chapter V of this report for which only interim replies have been received from the Government be furnished to the Committee at the earliest and in any case not later than three months of the presentation of the Report.

1.4 The Committee will now deal with action taken by the Government on some of the recommendations.

A. Need for setting up infrastructure for implementation of National Food Security Act (NFSA), 2013

Recommendation (Serial No. 3)

1.5 The Committee in their earlier report observed/recommended as follows:-

"The Committee, while analyzing the findings of Mid-Term Appraisal of 12th Plan find that it underlines the need for utilization of Plan allocations, implementation of National Food Security Act, end-to-end computerization, Strengthening Quality Control, creation of additional storage capacity, difficulties being faced by Department in terms of identification, acquisition of suitable land for taking up construction of storage godowns etc. In this connection, the Committee have been informed by the Department of Food and Public Distribution that the Department is satisfied with the over-all implementation of on-going and new schemes so far during 12th Plan. The Department of Food and Public Distribution on the other hand has informed that implementation of National Food Security Act lies with State Governments/UT Administrations for setting up Grievance Redressal Mechanism both at State and District Level as also to create sufficient storage facilities etc. The Committee, therefore, conclude that since a lot of work is yet to be undertaken for implementation of National Food Security Act by different State Governments/UTs, the Committee are unable to comprehend the reason behind complacency on the part of Department of Food and Public Distribution in this regard. The Committee, therefore, recommend the Department of Food and Public Distribution to impress upon the State

Governments/UT Administration so that required infrastructure for implementation of National Food Security Act is set up expeditiously in 11 States atleast where the National Food Security Act is being implemented at present and plan for such work in States which are soon to join implementation of National Food Security Act."

1.6 The Ministry in their action taken reply have stated as under:-

"The National Food Security Act, 2013 (NFSA) came into force on 5th July, 2013. Department of Food & Public Distribution devised a proforma to ascertain preparedness of States/Union Territories (UTs) to implement the Act, which includes various preparatory steps to be taken by States/UTs such as finalization of guidelines for identification of beneficiaries, doorstep delivery of foodgrains, creation of sufficient and scientific storage capacity at various levels in the State, putting in place of Grievance Redressal Mechanism etc. The States/UTs are required to certify their preparedness for implementation of NFSA in that proforma, duly signed by Principal Secretary/Secretary (Food) of the concerned State Government. The 11 States/UTs where implementation of the Act has so far started, duly certified their preparedness and accordingly foodgrains under the Act are being allocated to them on the basis of identification of beneficiaries and preparedness to implement the Act, reported by them. Subsequently, the Department prescribed a revised proforma in July, 2014 for certifying the preparedness of States/UTs to implement NFSA, wherein the requirement of completion of the Plan scheme of end-to-end Computerization of Targeted Public Distribution System (TPDS) operations, was added. The States/UTs, which had already started implementation of NFSA, were requested to complete the same.

2. Status of implementation of NFSA in 11 States/UTs where it has started, was reviewed in a conference with their Food Secretaries, held on 3 December, 2014 under the chairmanship of Hon'ble Minister of State for Consumer Affairs, Food and Public Distribution. Implementation of end-to-end computerization of TPDS operations was also reviewed during the conference. In the conference, the need for necessary strengthening of TPDS in order to be able to successfully deliver entitlements in a rights-based approach under NFSA, setting up of proper grievance redressal mechanism, implementation of door-step delivery throughout the State, identification of remaining beneficiaries wherever the coverage of beneficiaries under NFSA is partial, Digitisation of data as per eGov standards along with Aadhaar seeding and completion of other components of the ongoing scheme for TPDS computerization were emphasized.

3. A separate conference with Food Secretaries of 25 States/UTs where implementation of the Act is yet to start, was held on 10th December, 2014 under the chairmanship of Hon'ble Minister for Consumer Affairs, Food and Public Distribution to review status of their

preparedness for implementation of the Act. Aspects relating to identification of beneficiaries, delivery of foodgrains upto door-step of fair price shops, end-to-end computerization of TPDS and setting up of effective Grievance Redressal Mechanism were discussed in detail during the conference. Important conclusions that emerged during discussions in the conference are as follows:

- i. NFSA provided time limit of one year for completion of identification of eligible households, i.e. by 4.7.2014. Government of India has twice extended the time limit; upto 4.4.2015. NFSA is a Central legislation passed by the Parliament and therefore 25 States/UTs which are yet to start implementation of the Act should take all necessary measures to implement it within the extended period.
- ii. Correct identification of beneficiaries, necessary strengthening of TPDS through door-step delivery and TPDS computerisation and setting up of an effective grievance redressal mechanism must precede implementation of the Act so as to get rid of weaknesses afflicting existing TPDS.
- iii. States/UTs which are not implementing door-step delivery throughout the State should immediately start it. In case it is not possible for the State Government or its agencies to do the door-step delivery, alternative arrangements should be worked out to ensure that FPS dealer, in no circumstances, is required to bear expenditure on transportation of foodgrains upto the FPS.
- iv. SECC guidelines prepared by Ministry of Rural Development and available on their website may be used to evolve State specific criteria. For any clarifications States may consult their own Rural Development Departments and Ministry of Rural Development.
- v. States/UTs should set up a proper grievance redressal mechanism as per provisions of the Act rather than doing it in perfunctory manner. In case any State/UT feels that an exclusive State Food Commission is not required, any existing Commission such as Women Commission, Child Commission, and Consumer Disputes Redressal Commission can be designated as State Food Commission, for which flexibility is provided in the Act.
- vi. Implementation of NFSA should be used to clean up the beneficiaries' data base. Digitization of data as per e-Gov standards along with Aadhaar seeding should be completed on priority. The database could also be utilized by other Departments/schemes such as distribution of kerosene, etc. Digitized data must be hosted on the State TPDS portal. States/UTs should continuously update their progress on the Dashboard also.
- vii. For the sake of transparency, criteria for identification and final list of beneficiaries should be placed on the Dashboard. In future, the

Department may allocate foodgrains at subsidized prices for only those number of AAY and BPL families the information for whom is available on the Dashboard.

- viii. List of beneficiaries should be finalized before digitization of the ration card data.
- ix. The timelines for digitization of beneficiary database and computerisation of supply chain were March, 2013 and October, 2013, respectively. These timelines had been conveyed to all States/UTs vide letters, during conferences and also placed before the Hon'ble Supreme Court. These timelines are well past and hence States/UTs must complete the activities under TPDS computerisation scheme without any delay.
- x. States/UTs which fail to implement the Act by April, 2015, foodgrains allocation to them for APL households under existing TPDS may be considered at MSP."

1.7 The Committee while analyzing the findings of Mid-Term Appraisal of 12th Five year Plan (2012-2017) had inter-alia concluded that a lot of work with regard to implementation of the National Food Security Act (NFSA), 2013 like setting up of Grievance Redressal Mechanism both at State and District level, creation of storage facilities etc. by different States/UTs is yet to be undertaken. The Committee, therefore, had recommended the Department of Food and Public Distribution to impress upon the State Governments/UT Administrations so that the required infrastructure under NFSA is set up expeditiously in 11 States where NFSA is currently being implemented and plan for such work in States which are soon to join them.

1.8 In their action taken reply, the Department of Food and Public Distribution have inter-alia explained in details the procedural aspects including periodic reviews undertaken by Hon'ble Minister of Consumer Affairs, Food and Public Distribution on 3rd December, 2014 and 10th December, 2014 involved in implementation of NFS Act in 11 States currently implementing NFSA and 25 States that are yet to implement the same emphasizing series of steps to be taken in the areas of proper grievance redressal mechanism, identification of beneficiaries, digitization of data etc. The Committee, therefore, treat the action taken reply as enterim. The Committee also note with dismay that timelines for implementation of NFSA that was to be complied by July, 2014 i.e. one year after its enforcement has been extended twice upto 4 April, 2015. The Committee also are constrained to find that yet another extension upto September, 2015 has been given to States/UTs. In this connection, the Committee recall that while examining the Demands for Grants (2014-15) of Department of Food and Public Distribution they had also examined the issue (Rec. Sl. No. 10, 3rd Report presented to Parliament on 27.04.2015) and had expressed their concern about delay in preparedness for implementing NFSA across non-compliant States. They had recommended the Department of Food and Public Distribution to set up a task force for quickening/completion of the work in these States. The Committee, therefore, recommend that all out efforts be made by the Department of Food and Public Distribution as also by States/UTs to accomplish the compliance of NFS Act expeditiously.

B. Need for promoting DCP Scheme.

(Recommendation Serial No. 9)

1.9 The Committee in their earlier report observed/ recommended as follows:-

"The Committee are dismayed to note that important scheme of Decentralized Procurement commonly known as DCP Scheme that was started in 1997 with the intention of saving of precious subsidy outgo among the States has not got desired level of response even after 17 years of its operation. For instance, the Committee find that only 11 States have been implementing it. In this connection, the Secretary, Department of Food and Public Distribution also admitted before the Committee that response of DCP has not been encouraging among States. The Committee have also been informed that States may not have adequate resources like manpower, storage space etc. nor they are taking steps to develop these resources that are necessary for adoption of DCP Scheme. The Committee foresee that in coming years, the food subsidy bill may balloon manifold in the light of likely implementation of National Food Security Act by all States/UTs. For this in Committee's opinion, it is high time that in the light of the benefits of DCP Scheme, the Department of Food and Public Distribution should impress upon the States with larger foodgrains consumption under TPDS to create an investment friendly environment for adoption of DCP so that precious food subsidy outgo is checked.

1.10 The Ministry in their action taken reply to have stated as under:-

"Government of India has been encouraging States to adopt decentralised mode of procurement called DCP. The State Governments presently undertaking Decentralized Procurement are West Bengal, Madhya Pradesh, Chhattisgarh, Uttarakhand, Andaman & Nicobar Islands, Odisha, Tamil Nadu, Gujarat, Karnataka, Kerala, Andhra Pradesh (for 6 Districts), Bihar, Rajasthan (Alwar only), Punjab (for NFSA Obligations) and Telangana (for 9 Districts). This year Punjab, Bihar, Telangana and Andhra Pradesh have been included as DCP States.

To encourage States to adopt DCP mode of procurement, FCI conducted State wise seminars and workshops for concerned State authorities to familiarize them about process of DCP operations, accounting procedures and procedures for making subsidy claims. The workshops have been held with officials of Punjab, Haryana, Uttar Pradesh, Rajasthan, Andhra Pradesh, Telangana, Gujarat and

Jharkhand. The status of State-wise workshops/seminars are given as under:-

- (a) **Jharkhand:** State Govt. is not having necessary infrastructure and manpower., however, may implement from next KMS 2015-16.
- (b) **Gujarat:** Gujarat is a DCP State for wheat. Various aspects like Quality control mechanism, procedure for submission of bills etc. highlighted during the workshop.
- (c) **Delhi:** Delhi Govt. is not participating in procurement directly and FCI is the only procuring agency.
- (d) **Andhra Pradesh and Telangana:** In Andhra Pradesh, 6 districts are already under DCP. In Telangana, 9 rice procuring revenue Districts are under DCP from KMS 2014-15. Both State Govts. have requested for FCI QC on temporary basis.
- (e) **Haryana:** Before considering to adopt DCP, Govt. of Haryana has asked to resolve some issues.
- (f) **Rajasthan:** Rajasthan has adopted DCP for procurement of wheat in Alwar district.
- (g) **Maharashtra:** State Govt will examine the proposal in consultation with their Financial Department.
- (h) **Punjab:** Representatives of Punjab Govt. informed that production and procurement of foodgrains is already high in Punjab. Thus opting for DCP for foodgrain procurement will not be beneficial for the State. However, they will be visiting the State of Madhya Pradesh to study the working of DCP so that similar system can be implemented in Punjab also.
- (i) **Uttar Pradesh:** The State was under DCP mode of operations from 1999-2010. State Govt. has informed that they are not having necessary infrastructure and manpower."

1.11 Expressing dismay over slow response on DCP Scheme that was started in 1997 to save precious outgo of food subsidy among different States/UTs and anticipating that food subsidy bill might go manifold in coming years by reason of implementation of NFSA by different States/UTs, the Committee had impressed upon the Department of Food and Public Distribution for creating an investment friendly environment for adoption of DCP for saving food subsidy. In action taken reply, the Committee find that the Department of Food and Public Distribution have stated that the Government of India has been encouraging States to adopt DCP Scheme and currently being adopted in various States like West Bengal, Madhya Pradesh, Kerala, Tamil Nadu, Andhra Pradesh, etc. either wholly or partially and this year Punjab, Bihar, Telengana and Andhra Pradesh have been included as DCP States.

1.12 The Committee are dismayed to note that in big States like Uttar Pradesh, Jharkhand, Punjab, Maharashtra, Rajasthan (barring Alwar District) etc. the DCP Scheme is not being adopted/implemented for various reasons. For instance in Uttar Pradesh and Jharkhand non-availability of necessary infrastructure has been the reason whereas in respect of Punjab, the DCP scheme is yet to be implemented pending study of Madhya Pradesh pattern whereas for Maharashtra the State Government is to examine the proposal in consultation with their Finance Department. The Committee find that Department of Food and Public Distribution has by and large repeated the reasons that were already brought out before the Committee at the time of examination of Demands for Grants (2014-15). In this connection, the Committee recall that they had also discussed the

issue of DCP Scheme in the light of High Level Committee (HLC) Report on re-structuring of FCI in their 3rd Report on Demands for Grants (2015-16) presented to Parliament on 27 April, 2015 (Rec. Sl. No. 3) wherein not agreeing with recommendations of HLC Report about handing over procurement operations of wheat and rice in different DCP States from FCI to State Agencies that have gained sufficient experience in this regard and have created reasonable infrastructure for procurement, the Committee had apprehended that such a move might go against the interest of farmers and jeopardize food subsidy in long run. In the light of this development and in view of likely rise in food subsidy for NFSA obligations leading to higher outgo of food subsidy and preparedness for adopting DCP in other States, the Committee reiterate their recommendation that the Department of Food and Public Distribution should impress upon non-DCP States to adopt the DCP Scheme for saving precious food subsidy outgo.

C. Expeditious action on High Level Expert Committee for re-structuring of FCI

Recommendation (Serial No. 19)

1.13 The Committee in their earlier report observed/ recommended as follows:-

"High Level Expert Committee for restructuring of FCI

The Committee find that a High Level Expert Committee has been constituted by the Government for re-structuring of FCI and the terms of reference of the Expert Committee, inter-alia, include examination of present set up of FCI, studying various models of unbundling of FCI to improving operation efficiency of FCI, to define role of FCI in MSP operations, to recommend scientific method of storage etc. The Committee learn that since the work done by the Committee is in formative stages, the Committee are, therefore, unable to comment on the issue till the Report of the Committee is presented to Government and

would await the Report of the High Level Expert Committee before taking a final call in the matter."

1.14 The Ministry in their action taken reply to have stated as under:-

"A High Level Committee (HLC) of distinguished panel of experienced persons and experts was set up under the chairmanship of Shri Shanta Kumar, MP and former Union Food Minister to recommend on restructuring of FCI after considering various aspects of present structure and functional areas of the organization and consulting various stake holders within a time frame.

The HLC has submitted its report to PMO on 21.01.2015 and the Department has sought comments from FCI, concerned Ministries/Departments and State Governments on their recommendations for further examination and implementation."

1.15 The Committee while finding that a High Level Committee (HLC) had been constituted by the Government for re-structuring of FCI and the work of the Committee was in formative stages, pending presentation of the Report by HLC they had opined that they would await the Report of the Committee. In action taken reply, the Committee find that the HLC has submitted its Report to PMO on 21.01.2015 and comments from FCI/ concerned Ministries/ Departments and State Governments on recommendation for further examination and implementation have been sought. In this connection, the Committee recall that they had also discussed salient features of the Report of HLC while examining the Demands for Grants (2015-16) of Department of Food and Public Distribution (April, 2015) and the Committee were informed (Rec. SI. No. 2 ibid) that the Government is finalizing an Action Plan for implementation of the acceptable recommendations with due diligence and the Committee had expressed the view that they would await the final view of the

Department of Food and Public Distribution on all these issues. In view of the foregoing the Committee desire that action taken, if any, on the recommendations of the HLC be apprised to them so as to arrive at logical conclusions.

D. Need for utilization of funds for 'end-to-end computerization of TPDS operations'.

(Recommendation Serial No. 24)

1.16 The Committee in their earlier report observed/ recommended as follows:-

"The Committee are constrained to note that Department of Food and Public Distribution is implementing only Component I of Plan Scheme of 'End-to-End Computerization of Targetted Public Distribution System (TPDS)' during Twelfth Plan (2012-2017) and have left Component II dealing with automation of FPS for future. In this connection, the Committee find that the total requirement projected for Component I and Component II before Planning Commission was Rs. 4273.47 crore on cost sharing basis. The Committee also note that EFC on September, 2012 decided to implement Component I with a cost of Rs. 884.07 crore with Centre's share of Rs. 483.37 crore and State's share of Rs. 394.90 crore with a sharing pattern of 50:50 for other than North East and 90:10 for North East.

The Committee are constrained to note that the implementation of scheme has been tardy during first three years viz. 2012-13, 2013-14 and 2014-15 for various reasons. In this connection, the Committee find that during 2012-13 late approval to the scheme in October, 2013 resulted in less time for States/UTs to send proposals whereas during 2013-14, the restrictions imposed by Ministry of Finance to spend not more than 66% in last quarter of a financial year halted the pace of expenditure which resulted in under utilization of budgeted amount. During 2014-15, out of Rs. 128.50 crore, the actual expenditure is only Rs. 27.48 crore as on 31.08.2014. Further, the Committee have been informed that Rs. 248.89 crore of Central Share, 1st instalment was released to States out of which the expenditure is Rs. 45.13 crore only. The Committee find that almost all the States have not utilized even the first installment. In this connection, the Secretary (Department of Food and Public Distribution) admitted candidly before the Committee that utilization of resources has been slow. The Committee, therefore, recommend that Department of Food and Public Distribution should sensitise the State Governments so that more and more proposals are forthcoming from these States/UTs for optimal utilization of funds in remaining years of 12th Plan."

1.17 The Ministry in their action taken reply to have stated as under:-

"The Department has initiated action to implement Component-II of the Computerisation Scheme i.e. FPS automation. Guidelines for FPS automation have been issued to all States/UTs in November, 2014. NIC is entrusted to develop software for Point of Sale (PoS) devices and overall solution. An MoU with STQC Directorate (DeitY) has been signed by this Department on 07.01.2015 for testing of PoS device. A proposal for providing financial assistance to States in the form of incentive for use of PoS device at FPSs is also under consideration in the Government.

As regards the need for improving the utilisation of allocation for TPDS Computerisation, reply to recommendation no. 5 also refers. Further, with a view to sensitise States/UTs to accelerate the pace of Computerisation, the Department has taken following steps:

- Best practices of advanced States/UTs shared with others.
- NIC has developed a Common Application Software (CAS) which has been offered to all States/UTs.
- Discussions on TPDS Computerisation in States/UTs held during the Conference of State Food Ministers' and State Food Secretaries' in Sep' 2012, Sep-Oct 2013 and July 2014.
- Regional conference held in May 2013 at Guwahati wherein all North-Eastern States had participated including Sikkim.
- In July 2014, Hon'ble MoCA, F&PD has written to the State Chief Ministers/Food Ministers to expedite computerisation of TPDS.
- Computerisation of TPDS has been made a pre-requisite for grant of allocation under NFSA in July 2014.
- Hon'ble Minister (CA,F&PD) and Hon'ble MoS (CA,F&PD) emphasized on the need of TPDS Computerisation during the Conference held with non-NFSA and NFSA States on 10th and 3rd December, 2014 respectively."

1.18 While pointing out low rate of utilization of funds for Component I of the scheme of 'end-to-end computerization of TPDS operations' during first three years i.e. 2012-13, 2013-14 and 2014-15 because of reasons like late approval of schemes for 2012-13, restriction imposed by the Ministry of Finance regarding not to spend more than 66% in the last quarter during 2013-14 and very less expenditure during 2014-15 with almost all the States/UTs not even utilizing their first installment due to less proposals emanating from States/UTs, the Committee had recommended the Department of Food and Public Distribution to sensitize the State Governments/UTs so that more and more proposals are forthcoming from these States/UTs for optimal utilization of funds in remaining years of current Plan.

In action taken reply, the Committee find that the Department of Food and Public Distribution has spelt out various steps like sharing of best practices of advanced States/UTs with other States, offering of Common Application Software (CAS) developed by NIC to States/UTs, holding of Conferences of State Food Ministers/Food Secretaries, Regional Conference at Guwahati, Hon'ble Minister (Consumer Affairs, Food and Public Distribution) Conference held with non-NFSA and NFSA State held previously.

The Committee find that nothing new has been conveyed by the Department of Food and Public Distribution to the Committee. The Committee recall that while examining the Demands for Grants (2015-16) of the Department of Food and Public Distribution they had inter-alia come across Department of Food and Public Distribution apprehension that

utilization may depend upon the receipt of financial proposals from States/UTs fulfilling specified conditions. The Committee, therefore, reiterate their recommendation that States/UTs should be sensitized so that they may submit more and more proposals for utilizing their first installment of component I of 'end-to-end computerization of TPDS operations.'

The Committee also find that Department of Food and Public Distribution has started Component II of the scheme of 'end-to-end computerization of TPDS operations' that deals with automation of Fair Price Shops (FPS), in the process necessary guidelines have been issued to States/UTs in November, 2014 and NIC has been asked to develop software for Point of Sale (POS) devices etc. The Committee recall that this issue was dealt with by them at the time of examination of Demands for Grants (2015-16) also. The Committee desire a clarification from Department of Food and Public Distribution as to how the Department is going to start Component II when Component I is not yet over.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No.1)

2.1 The Committee are constrained to find that the level of food subsidy has gone up from the level of Rs. 62,929.16 crore in 2010-11 to Rs. 1,10,500.00 crores in 2014-15, i.e. almost double than what was five years ago. Further, the Committee have been informed by Department of Food and Public Distribution that the estimated annual requirement of food subsidy for full implementation of National Food Security Act, 2013 in all States/Union Territories is Rs. 1,31,086.00 crore (at 2014-15 cost). In this connection, the Committee have been informed by Department of Food and Public Distribution that major challenges in TPDS like leakage and diversion of foodgrains, targeting errors and non-viability of Fair Price Shops etc. are being faced by the Department. The Department has suggested various measures for their redressal. The Committee feel that barring mandatory obligations of National Food Security Act, the entire issue of rising food subsidy bill of the Government needs to be reviewed in the light of various challenges outlined by Department of Food and Public Distribution so as to make it sustainable and purposeful.

(Reply of the Government)

2.2 Food subsidy is provided in the budget of the Department of Food and Public Distribution to meet the difference between economic cost of foodgrains and their sales realization at Central Issue Prices fixed for TPDS and other welfare schemes. In addition, the Central Government also procures foodgrains for meeting the requirements of buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of buffer stock.

The subsidy is provided to FCI, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as a measure of food security.

This apart, Fifteen States/UTs, namely Andhra Pradesh, Telengana, Bihar, Madhya Pradesh, Chhattisgarh, West Bengal, Uttarakhand, Tamil Nadu, Andaman & Nicobar, Odisha, Gujarat, Karnataka Kerala, Punjab and Rajasthan have joined the DCP Scheme made which they have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of Decentralized procurement, State specific economic cost is determined by the Government of India and the difference

between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy.

Since 2004-05, the MSP of wheat has increased from Rs. 630 per quintal to Rs.1400.00 per quintal in RMS 2014-15. Similarly, MSP of paddy (Common) has increased from Rs.560 per quintal to Rs.1360.00 per quintal in KMS 2014-15. However, the Central Issue Price (CIP) of wheat and rice for AAY, BPL and APL families has not been revised since 2002. As a result, the gap between economic cost and CIPs has been increasing and food subsidy incurred by the Government has risen substantially. Further, after implementation of National Food Security Scheme w.e.f. 10.9.2013, the Central Issue Price of foodgrains to be distributed under NFSA has been reduced further to Rs.3/2/1 per kg for rice/wheat/coarse grains respectively. The decrease in the Central Issue Price of foodgrains under NFSA as well as increase in the number of people covered under Food Security scheme has substantially contributed in Food subsidy requirement. It is, therefore, submitted that due to continuous increase in MSP, non-revision of CIP under TPDS and decrease in CIP under NFSA, there is bound to be increase in the Food subsidy requirement in coming years. Here, it is also submitted that since statutory taxes are levied by the State Government as a percentage of MSP, any increase in the MSP also results in proportionate increase in the resultant outgo of Food subsidy on account of statutory taxes, levies etc. Similarly, due to inflation and other factors, rate of storage charges, transportation charges, cost of gunny etc. also keep increasing year-by-year, which also contribute to an increase in the outgo on Food subsidy.

It is, however, submitted that this Department is fully aware about the need for containing the increase in Food subsidy and are making regular efforts in this regard. The Government has taken several measures to contain the food subsidy, which include:-

1. Encouraging decentralized procurement and distribution of foodgrains.
2. Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
3. Improving the operational efficiency of the FCI.
4. Negotiating with the banks of the consortium of food credit to reduce the rate of interest on cash credit.
5. Bringing in overall cost-effectiveness in the operation of FCI.
6. Bringing down the level of surplus food grains stock through more liquidation under Open Market Sale Scheme and optimization of procurement through increasing market competitiveness.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/13/2014-AC Dated the 5th March, 2015]

Recommendation (Serial No.5)

2.3 The Committee find that the level of funds of Department of Food and Public Distribution has gone up from Rs. 86,218.80 crore in 2012-13 to Rs. 1,15,656.84 crore in 2014-15 out of which under non-Plan component, the Food Subsidy comprises of a huge Rs. 84,554 crore and Rs. 1,15,326.84 crore with relatively very less Plan component of Rs. 330 crore, mainly for two schemes of Construction of Godowns (Rs. 181 crore) and End-to-End Computerization (Rs. 128 crore). The Department of Food and Public Distribution during the course of examination have attributed the reasons like increase in MSP (Wheat and Paddy) and other incidentals, increase in off-take due to implementation of National Food Security Act, increased subsidy burden on sugar (Rs. 18.50 per kg) w.e.f 01 June, 2013, less allocation of budget against demands for 2012-13 i.e. arrears of past years etc. for increased level of funds from 2012-13 to 2014-15. The Committee while analyzing the data of both Non-Plan and Plan funds find that the Department of Food and Public Distribution, on the one hand is experiencing shortage of funds for meeting Food Subsidy, its Plan funds are not being fully utilized on account of less proposals coming from different States due to late communication of administrative approval on scheme of 'End-to-end Computerization' in 2012-13 on the other. The Committee, therefore, feel that Department of Food and Public Distribution should take up the matter of shortage of funds for Food Subsidy requirement with Ministry of Finance at appropriate level and take up the issue of obtaining more and more proposals under 'End-to-end Computerization' with concerned State Governments and to ensure faster implementation of scheme of Construction of Godowns in coordination with State Governments of North East and select North Eastern and State Governments of Jammu & Kashmir.

Reply of the Government

2.4 With regard to Committee's recommendation for taking up the issue of shortages of funds for Food subsidy with the Ministry of Finance, it is submitted that the Department of Food & Public Distribution regularly keeps taking up the matter for allocation of additional funds with Ministry of Finance. In addition to writing of letters by senior officers as well as discussion during the formal meetings, the issue has also been taken up at the level of Hon'ble Prime Minister as well as Hon'ble Finance Minister. Even though, Ministry of Finance has been trying to address this issue but owing to budgetary constraints they have also not been able to allocate the sufficient funds as per requirement. However, this Department will continue to pursue the matter with Ministry of Finance regularly.

In so far as observations regarding obtaining more and more proposals from State Government under the scheme on “End-to-end computerisation of PDS Operations” is concerned it is mentioned that the Scheme is being implemented on cost sharing basis with States/UTs under the 12th Plan (2012-17). State Governments are required to submit proposals seeking financial assistance from the Central Government in accordance with the guidelines contained in administrative approval conveyed to States/UTs in December, 2012. Proposals were received from 31 States/UTs (including Telengana), out of which proposals of only 25 States were in accordance with guidelines issued by the Department. Accordingly, first instalment of Central share has been released to them. They would be eligible for release of second instalment of central share after they complete activities like digitisation of database, supply-chain management, setup grievance redressal mechanism and also submit utilisation certificate for the amount released by Central Government as first instalment. In addition to 25 States/UTs, Governments of Haryana and Delhi have submitted proposals for release of central share of financial assistance. Funds were released to them under pilot scheme also, which has now been subsumed in scheme on ‘End-to-end Computerisation of TPDS Operations under the 12th Plan. Any further release will be made to them after adjustment of funds already disbursed to them. UT of Chandigarh has not submitted financial proposal so far. Since Chandigarh also had been given funds under pilot scheme, any further payment would be made to the UT after receipt of financial proposal alongwith UC of the amount released under pilot scheme. Government of Arunachal Pradesh and UTs of Dadra & Nagar Haveli, Daman & Diu and Puducherry have been requested to submit proposals in accordance with the guidelines of the scheme and the matter is being regularly pursued with them through various review meetings, video-conference, etc. Out of the remaining four States/UTs, from where proposals have not been received, Sikkim and UT of Andaman Nicobar Islands have informed that they do not require funds from Department of Food & Public Distribution as they have arranged funds for the scheme from other sources while Gujarat and Karnataka have sought funds only for Component-II of the scheme i.e FPS automation. Matter is under consideration of the Government for deciding funding pattern for FPS automation. Two conferences of Food Secretaries of 11 States implementing NFSA and remaining non-NFSA 25 States/UTs were held on 03.12.2014 and 10.12.2014 respectively, wherein expeditious computerisation of TPDS Operations was emphasised. States/UTs which have availed of funding under the scheme were requested to send the Utilization Certificates (UCs) at the earliest so that next instalment of funds could be released to them.

With reference to Committee’s observation on ensuring faster implementation of scheme of construction of godowns in coordination with State Governments of North East and select North Eastern and State Governments of Jammu & Kashmir is concerned it is submitted that the scheme of construction of godowns in North East States by FCI under Plan Scheme of Department of Food and Public Distribution, Ministry of CAF&PD, the expenditure incurred vis-a vis

equity received from Ministry during the Year 2012-13, 2013-14 and 2014-15 is as under:

(Fig. in Rs. Cr.)

Year	Equity released by the Ministry	Unspent funds of previous year available with FCI	Total funds	Expenditure
1	2	3	4(2+3)	5
2012-13	19.28	51.20	70.48	27.72
2013-14	Nil	42.76	42.76	30.94
2014-15#	50.00	11.82	61.82	58.20

#The position is as on 31.01.15

It is submitted that in FY 2014-15, the total funds i.e. Rs.83.65 crores (Rs.71.83 crores earmarked to FCI as RE and Rs.11.82 crore as unspent funds available with FCI as on 1.4.2014) shall be utilized fully on construction of godowns which includes payments to Railways for providing Railway siding also.

It is further clarified that no proposal for construction of godowns in the State of J&K has been approved under 12th Five Year Plan.

As regards faster implementation of the scheme, it is submitted that the respective State Govts. are being constantly pursued by the Department of Food & PD, and by FCI by convening the meetings with the Chief Secretaries/senior officers of the respective State Governments to resolve the land acquisition issue so that the financial as well as physical targets are met fully during 12th five year plan.

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Recommendation (Serial No.6)

2.5 The Committee find it worrisome to see that the level of food subsidy has increased from Rs. 87,745 crore in 2013-14 to Rs. 1,00,505 crore in 2014-15 representing an increase of Rs. 12,760/- crore. The Committee also note that the estimated annual requirement of food subsidy may touch even a higher figure of Rs. 1,31,086 crore for full implementation of National Food Security Act by all States and UTs. It came out during the course of examination that with a view to economize the use of ever increasing food subsidy, the Department of Food and Public Distribution is making efforts to contain the increase in food subsidy through improving operational efficiency of FCI and encouraging more and more

States to join DCP Scheme. In the light of existing difficulties of FCI and experience of DCP Scheme so far, the Committee recommend that there is a need to have a re-look on these issues for achieving twin objectives of economic use of food subsidy and its availability to genuinely needy section of society.

Reply of the Government

2.6 Government of India has been encouraging States to adopt decentralised mode of procurement called DCP. The State Governments presently undertaking Decentralized Procurement are West Bengal, Madhya Pradesh, Chhattisgarh, Uttarakhand, Andaman & Nicobar Islands, Odisha, Tamil Nadu, Gujarat, Karnataka, Kerala, Andhra Pradesh (for 6 Districts), Bihar, Rajasthan (Alwar only), Punjab (for NFSA Obligations) and Telangana (for 9 Districts). This year Punjab, Bihar, Telangana and Andhra Pradesh have been included as DCP States.

To encourage States to adopt DCP mode of procurement, FCI conducted State wise seminars and workshops for concerned State authorities to familiarize them about process of DCP operations, accounting procedures and procedures for making subsidy claims. The workshops have been held with officials of Punjab, Haryana, Uttar Pradesh, Rajasthan, Andhra Pradesh, Telangana, Gujarat and Jharkhand. The status of State-wise workshops/seminars are given as under:-

- (a) **Jharkhand:** State Govt. is not having necessary infrastructure and manpower, however, may implement from next KMS 2015-16.
- (b) **Gujarat:** Gujarat is a DCP State for wheat. Various aspects like Quality Control mechanism, procedure for submission of bills etc. highlighted during the workshop.
- (c) **Delhi:** Delhi Govt. is not participating in procurement directly and FCI is the only procuring agency.
- (d) **Andhra Pradesh and Telangana:** In Andhra Pradesh, 6 districts are already under DCP. In Telangana, 9 rice procuring revenue Districts are under DCP from KMS 2014-15. Both State Govts. have requested for FCI QC on temporary basis.
- (e) **Haryana:** Before considering to adopt DCP, Govt. of Haryana has asked to resolve some issues.
- (f) **Rajasthan:** Rajasthan has adopted DCP for procurement of wheat in Alwar district.

- (g) **Maharashtra:** State Govt will examine the proposal in consultation with their Financial Department.
- (h) **Punjab:** Representatives of Punjab Govt. informed that production and procurement of foodgrains is already high in Punjab. Thus opting for DCP for foodgrain procurement will not be beneficial for the State. However, they will be visiting the State of Madhya Pradesh to study the working of DCP so that similar system can be implemented in Punjab also.
- (i) **Uttar Pradesh:** The State was under DCP mode of operations from 1999-2010. State Govt. has informed that they are not having necessary infrastructure and manpower.

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Recommendation (Serial No.9)

2.7 The Committee are dismayed to note that important scheme of Decentralized Procurement commonly known as DCP Scheme that was started in 1997 with the intention of saving of precious subsidy outgo among the States has not got desired level of response even after 17 years of its operation. For instance, the Committee find that only 11 States have been implementing it. In this connection, the Secretary, Department of Food and Public Distribution also admitted before the Committee that response of DCP has not been encouraging among States. The Committee have also been informed that States may not have adequate resources like manpower, storage space etc. nor they are taking steps to develop these resources that are necessary for adoption of DCP Scheme. The Committee foresee that in coming years, the food subsidy bill may balloon manifold in the light of likely implementation of National Food Security Act by all States/UTs. For this in Committee's opinion, it is high time that in the light of the benefits of DCP Scheme, the Department of Food and Public Distribution should impress upon the States with larger foodgrains consumption under TPDS to create an investment friendly environment for adoption of DCP so that precious food subsidy outgo is checked.

Reply of the Government

2.8 Government of India has been encouraging States to adopt decentralised mode of procurement called DCP. The State Governments presently undertaking Decentralized Procurement are West Bengal, Madhya Pradesh, Chhattisgarh,

Uttarakhand, Andaman & Nicobar Islands, Odisha, Tamil Nadu, Gujarat, Karnataka, Kerala, Andhra Pradesh (for 6 Districts), Bihar, Rajasthan (Alwar only), Punjab (for NFSA Obligations) and Telangana (for 9 Districts). This year Punjab, Bihar, Telangana and Andhra Pradesh have been included as DCP States.

To encourage States to adopt DCP mode of procurement, FCI conducted State wise seminars and workshops for concerned State authorities to familiarize them about process of DCP operations, accounting procedures and procedures for making subsidy claims. The workshops have been held with officials of Punjab, Haryana, Uttar Pradesh, Rajasthan, Andhra Pradesh, Telangana, Gujarat and Jharkhand. The status of State-wise workshops/seminars are given as under:-

- (j) **Jharkhand:** State Govt. is not having necessary infrastructure and manpower., however, may implement from next KMS 2015-16.
- (k) **Gujarat:** Gujarat is a DCP State for wheat. Various aspects like Quality control mechanism, procedure for submission of bills etc. highlighted during the workshop.
- (l) **Delhi:** Delhi Govt. is not participating in procurement directly and FCI is the only procuring agency.
- (m) **Andhra Pradesh and Telangana:** In Andhra Pradesh, 6 districts are already under DCP. In Telangana, 9 rice procuring revenue Districts are under DCP from KMS 2014-15. Both State Govts. have requested for FCI QC on temporary basis.
- (n) **Haryana:** Before considering to adopt DCP, Govt. of Haryana has asked to resolve some issues.
- (o) **Rajasthan:** Rajasthan has adopted DCP for procurement of wheat in Alwar district.
- (p) **Maharashtra:** State Govt will examine the proposal in consultation with their Financial Department.
- (q) **Punjab:** Representatives of Punjab Govt. informed that production and procurement of foodgrains is already high in Punjab. Thus opting for DCP for foodgrain procurement will not be beneficial for the State. However, they will be visiting the State of Madhya Pradesh to study the

working of DCP so that similar system can be implemented in Punjab also.

- (r) **Uttar Pradesh:** The State was under DCP mode of operations from 1999-2010. State Govt. has informed that they are not having necessary infrastructure and manpower.

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Comments of the Committee

2.9 Please see Para No.1.11 of Chapter-I of the Report.

Recommendation (Serial No.10)

2.10 The Committee's examination has revealed that in addition to buffer stock and TPDS requirements, the FCI on instructions from Government sells wheat at pre-determined prices in open market from time to time to enhance the supply of wheat especially during lean season and thereby moderate the open market prices especially in the deficient regions. It also came out before the Committee that during 2013-14, 95 lakh tonnes of wheat was allocated for tender sale to bulk consumers/ small private traders and 5 lakh tonnes of wheat was allocated for retail sale to States/UTs/Cooperatives. In this connection, the issue of sale of 100 lakh tonnes of wheat in open tender to bulk and private traders by FCI figured in during the course of briefing of the representatives of Department of Food and Public Distribution. In this context, various issues like saving of subsidy occasioned by sale of 100 lakh tonnes of wheat by FCI in open market, possibility of opening up the foodgrain market to market forces, desirability of transferring the quantum of subsidy in the Bank account of beneficiaries in wake of opening of zero bank accounts being opened under Prime Ministers' Jan-Dhan Yojana came up before the Committee.

The Committee has been informed by Secretary, Department of Food and Public Distribution that a saving of Rs. 35,000 crore has been done by sale of 100 lakh tonnes of wheat by FCI of which otherwise would have gone towards carrying cost whereas on the twin issues of leaving foodgrains sector to market forces and cash transfer to beneficiaries Bank account, the Committee have been cautioned that for a country of 120 crore plus population, it would not be proper in the absence of mechanism for safeguarding the farmers support under MSP.

The Committee, therefore, feel that taking into consideration the requirements of buffer stock as also TPDS, the sale of wheat in open market seems proper as it resulted in saving of precious food subsidy. The Committee

also feel that in the present system of MSP of foodgrains, leaving the food sector to market forces would not be advisable and present system may continue.

Action taken by the Government

2.11 Standing Committee on FCA&PD has supported the offloading of surplus stocks of foodgrains in open market under OMSS(D) scheme. Department of Food & Public Distribution, this year also for 2014-15, has allocated 100 LMT of wheat for sale in open market to check rise in prices in open market and to meet the objective of offloading surplus stocks to create storage space and to avoid damage of foodgrains. As on 30.01.2015, 33.94 lakh tonnes of wheat was sold under the scheme.

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Recommendation (Serial No.13)

2.12 The Committee find that new initiatives like direct payment in Madhya Pradesh, Paddy Procurement Automation System (P-PAS) in Odisha and e-procurement in Chhattisgarh are innovative steps taken by these State Governments. The Committee feel that to start with, these should be implemented by other foodgrain procuring States particularly when the Government of India is coming forward in giving every possible assistance to States undertaking such initiatives. For this, the Committee feel that before starting of every KMS and RMS, a workshop be organized in big foodgrains procuring States where the representatives of Madhya Pradesh, Odisha and Chhattisgarh can share their experiences so that more and more States can adopt these innovative steps that may go a long way in reducing subsidy bill on account of transport charges.

Reply of the Government

2.13 Programmes with new initiative like direct payment in Madhya Pradesh, Paddy Procurement Automation System (P-PAS) in Odisha and e-procurement in Chhattisgarh has been undertaken by respective State Governments as per their requirements. Apart from that Government of India has launched online procurement monitoring system (OPMS) for both KMS and RMS at revenue district level all over the country. As online procurement monitoring system (OPMS) is in its primary stage, changes could be incorporated in the scheme as and when required for proper functioning of the monitoring system. A committee of officers from FCI has been constituted, for monitoring of PMS/entries/updation by the FCI regions, on a day-to-day basis and pursue with the concerned regions for both KMS and RMS.

Recommendation (Serial No.15)

2.14 Issues related with Distribution

With regard to distribution of foodgrains, the Committee's examination has revealed various issues like joint responsibility of Central and State Governments with regard to operation of TPDS, huge transit and storage losses of FCI, setting up of High Level Expert Committee for re-structuring of FCI to go into various aspects including distribution of foodgrains etc. have come up before the Committee.

Transit Losses

As regards transit losses, the Committee are constrained to find that lakh of tonnes of foodgrains with hundreds of crores is lost in transit in the country. For instance, during 2012-13 out of 453.45 lakh tonnes of foodgrains moved, 2.12 lakh tonnes worth Rs. 388.22 crore was lost. Similarly, during 2013-14, out of 447.81 lakh tonnes of foodgrains moved, 2.06 lakh tonnes worth Rs. 406.61 crore was lost. Likewise during 2014-15 upto September, 2014, against 300.51 lakh tonnes of foodgrains moved, 1.38 lakh tonnes worth Rs. 295.94 crore was lost in transit. From the zone-wise covering different States figures of transit loss of foodgrains lost during 2014-15, the Committee find that all the zones. i.e. North, West, South, East and North-East have shown huge transit loss of foodgrains. While perusing the Zone-wise quantity of foodgrains moved vis-à-vis foodgrains lost in transit, the situation is alarming. For instance, quantity of foodgrains moved in North, West, South, East and North-East of 151 lakh tonnes, 48 lakh tonnes, 58 lakh tonnes, 56 lakh tonnes and 21 lakh tonnes, the quantum of foodgrains lost in transit was as high as 50,404 tonnes, 25,570 tonnes, 27,603 tonnes, 29,948 tonnes and 24,293 tonnes respectively. In terms of percentage loss, it is as high as 0.47% in 2012-13 and 0.46% each during 2013-14 and 2014-15. In this connection, CMD, FCI explained before the Committee that FCI is making all efforts to bring these transit losses to 0.5 percent and even lower. In this context, in the light of quantity of foodgrains moved, the level of foodgrains lost in transit may look less, yet when looked in isolation the public may feel that the loss incurred is alarming particularly when it involves huge burden on Government's Budget. Thus, the Committee feel that while dealing with the issue of transit loss, this aspect should be borne in mind.

Reply of the Government

2.15 The updated position of transit losses are as under :-

Year	Qty. Moved (MT)	Qty.of loss (MT)	% of loss	Value of loss (Cr)
2012-13*	453.45	2.12	0.47	388.22

2013-14**	447.81	2.06	0.46	406.61
2014-15**	370.59	1.75	0.47	375.99

*Audited/ **Provisional/ The year 2014-15 is upto Nov'14

The zone-wise/ Region-wise transit loss during the current year is enclosed as **Annexure-I**.

Reasons of Transit losses:- FCI undertakes movement of over 400 lakh MTs of foodgrains every year and during transit some operational losses occurred due to the following reasons:

- (i) In the process of movement of stocks, the bags are handled at multiple stages where the labour uses iron hooks. As a result the bags bleed and the losses occur.
- (ii) By the time the bag reaches its destination, it has been handled several times and has faced spillages enroute.
- (iii) There is loss due to driage of moisture when the stocks move towards hotter destinations.
- (iv) There are instances of pilferages/spillage through holes in the Railway wagons and gaps in flap doors also.
- (v) At many of the Rail Heads, even the bare minimum foodgrain handling facilities/ infrastructure is not provided by Railways leading to spillages and ultimate loss of foodgrains.
- (vi) Transit loss also occurs on transshipment points from broad gauge to meter gauge wagons by Railways.

Steps taken for control of transit losses:-

- (i) Centres/depots showing high transit losses are regularly being identified for the purpose of intensifying inspections at the vulnerable loading/unloading points.
- (ii) Loading of rakes in some cases is being supervised by the Squads and the same Squads have been asked to supervise unloading at the recipient stations also.
- (iii) Senior field officers of the level of General Managers and above have been instructed to undertake inspections of loading/unloading points, atleast once in a month particularly focusing of the depots recording high transit loss.
- (iv) 218 weighbridges have been identified for installation of CCTV cameras for more effective surveillance of receipt and issue operations.

- (v) GMs (Region) have been instructed to deploy mobile Squads for monitoring of movement of stocks from railheads to the depots.
- (vi) A study is being awarded to independent Consultant for fixation of norms for transit losses in FCI. Guidelines for this study have been conveyed to Govt. of India and the same is likely to be completed by July, 2015.
- (vii) A detailed action plan has been formulated and circulated to all EDs(Zone)/ GMs(Region) for implementation.
- (viii) Squads have also been formed at Headquarters level. Receiving/ Despatching centers showing high transit losses are being checked by the squad.

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Recommendation (Serial No.16)

2.16 Viewing the level of quantity of foodgrains moved vis-à-vis foodgrains lost in transit in different States under different zones, the Committee are constrained to note that the situation is quite alarming. For instance, in North Zone, the prominent foodgrains losing States in transit are Uttar Pradesh (38.56 lakh tonnes/ 22,511 tonnes), Uttarakhand – 1.60 lakh tonnes/ 685 tonnes), Jammu & Kashmir (2.86 lakh tonnes/ 1899 tonnes). Likewise, in West Zone, the main foodgrains losing States are Maharashtra (29.68 lakh tonnes/ 17,501 tonnes), Gujarat (14.74 lakh tonnes/ 6917 tonnes), Madhya Pradesh (3.08 lakh tonnes/ 814 tonnes), Chhattisgarh (0.65 lakh tonnes/ 338 tonnes). Further in South Zone, the big foodgrains losing States are Karnataka (20.30 lakh tonnes/ 10605 tonnes), Andhra Pradesh (9.24 lakh tonnes/ 3755 tonnes), Tamil Nadu (21.16 lakh tonnes/ 9338 tonnes). In East Zone, the States are West Bengal (23.06 lakh tonnes/ 12,138 tonnes), Odisha (3.32 lakh tonnes/ 1789 tonnes) and Bihar (22.60 lakh tonnes/ 11,399 tonnes). Finally, in North East, the major foodgrains losing States are Assam (15.31 lakh tonnes/ 18850 tonnes), NFF – Shillong (4.47 lakh tonnes/3660 tonnes). The Committee have been informed about various reasons responsible for these huge losses in transit. These include bleeding of bags by use of iron hooks by labour at multiple stages from dispatch to delivery, spillage enroute, pilferage in Railway wagons, inadequate handling facilities at Railways heads etc. The Committee feel that these reasons can be sorted out through proper advise and supervision as also with proper coordination with Ministry of Railways. The Committee recommend that ways and means should be evolved by Department of Food and Public Distribution/ FCI as also with State

Governments to chalk out a time bound programme in the States where transit losses are huge to see that transit losses are further reduced giving a clear signal to public that their money is not being wasted in transit losses.

Reply of the Government

2.17 The updated position of transit losses are as under :-

Year	Qty. Moved (MT)	Qty.of loss (MT)	% of loss	Value of loss (Cr)
2012-13*	453.45	2.12	0.47	388.22
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*Audited/ **Provisional/ The year 2014-15 is upto Nov'14

The zone-wise/ Region-wise transit loss during the current year is enclosed as **Annexure-I**.

Reasons of Transit losses:- FCI undertakes movement of over 400 lakh MTs of foodgrains every year and during transit some operational losses occurred due to the following reasons:-

- (i) In the process of movement of stocks, the bags are handled at multiple stages where the labour uses iron hooks. As a result the bags bleed and the losses occur.
- (ii) By the time the bag reaches its destination, it has been handled several times and has faced spillages enroute.
- (iii) There is loss due to diriage of moisture when the stocks move towards hotter destinations.
- (iv) There are instances of pilferages/spillage through holes in the Railway wagons and gaps in flap doors also.
- (v) At many of the Rail Heads, even the bare minimum foodgrain handling facilities/ infrastructure is not provided by Railways leading to spillages and ultimate loss of foodgrains.
- (vi) Transit loss also occurs on transshipment points from broad gauge to meter gauge wagons by Railways.

Steps taken for control of transit losses:-

- (i) Centres/depots showing high transit losses are regularly being identified for the purpose of intensifying inspections at the vulnerable loading/unloading points.

- (ii) Loading of rakes in some cases is being supervised by the Squads and the same Squads have been asked to supervise unloading at the recipient stations also.
- (iii) Senior field officers of the level of General Managers and above have been instructed to undertake inspections of loading/unloading points, atleast once in a month particularly focusing of the depots recording high transit loss.
- (iv) 218 weighbridges have been identified for installation of CCTV cameras for more effective surveillance of receipt and issue operations.
- (v) GMs (Region) have been instructed to deploy mobile Squads for monitoring of movement of stocks from railheads to the depots.
- (vi) A study is being awarded to independent Consultant for fixation of norms for transit losses in FCI. Guidelines for this study have been conveyed to Govt. of India and the same is likely to be completed by July, 2015.
- (vii) A detailed action plan has been formulated and circulated to all EDs(Zone)/ GMs(Region) for implementation.
- (viii) Squads have also been formed at Headquarters level. Receiving/ Despatching centers showing high transit losses are being checked by the squad.

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(Department of Food & Public Distribution)
O.M. No.G-20017/13/2014-AC Dated the 5th March, 2015]

Recommendation (Serial No. 17)

2.18 The Committee's examination has revealed that lakhs of tonnes of foodgrains with crores of rupees is being lost in storage losses for various reasons. For instance, the Committee are constrained to note that during 2012-13, out of 1017.91 lakh tonnes of foodgrains issued, 2.20 lakh tonnes worth Rs. 457.14 crores was lost in storage. Similarly, during 2013-14 out of 654.46 lakh tonnes of foodgrains issued, 1.47 lakh tonnes worth Rs. 370.73 crore was lost in storage. Likewise during 2014-15 (upto September, 2014) against 400.89 lakh tonnes of foodgrains issued, 0.38 lakh tonnes worth Rs. 135.28 crore of foodgrains was lost in storage. In terms of percentage, the loss was 0.22% in 2012-13 and 2013-14 and 0.10% in 2014-15. In this connection, the Committee

have been informed by CMD, FCI that all efforts are being made by FCI to reduce the loss percentage at 0.21% and even lower.

While perusing the Zone-wise quantity of foodgrains moved vis-à-vis foodgrains lost in storage, the Committee are constrained to note that situation here is equally bad as loss in transit. For instance, the quantity of foodgrains received in North, West, South, East and North East was 166.98 lakh tonnes, 68.01 lakh tonnes, 93.43 lakh tonnes, 48.47 lakh tonnes and 16.41 lakh tonnes, the quantum of foodgrains lost in storage was 60347 tonnes, 2704 tonnes, 13680 tonnes, 9168 tonnes and 2181 tonnes respectively. In this connection, the Committee have been informed by the CMD, FCI that FCI is making all out efforts to make storage loss at 0.21 percent and even lower and then to minimum. In this context, in the light of quantity of foodgrains received, the level of foodgrains lost in storage may look less, yet when looked in isolation it gives an impression that the loss incurred may appear alarming particularly when it involves a huge burden on Government's Budget. Thus, the Committee feel that while dealing with the issue of storage loss, this aspect ought to be factored in.

Reply of the Government

2.19 The updated position of storage losses reported by FCI is as under :-

Year	Qty. received (lakh tonnes)	Loss in Qty. (lakh tonnes)	% of loss	Value of loss (Rs. in crore)
2012-13*	1017.91	2.20	0.22	457.14
2013-14**	654.46	1.47	0.22	370.73
2014-15** (upto Nov.2014)	551.27	0.38	0.07	157.31

*Audited/ **Provisional

The quantum of foodgrain loss may seem to be on higher side but losses are not significantly high in view of huge operation undertaken by FCI. As can be observed that during 2014-15 upto November, 2014 a quantity of 0.38 lakh tonnes of foodgrains were lost as against 551.27 lakh tonnes of foodgrains received in the godowns.

Various steps have been taken to control the storage losses which are as under:

- (i) Gain or loss due to moisture content in the grains: Tough no scientific norms are fixed so far, formula of 0.7% gain/loss in weight against 1% change in moisture content is generally adopted while assessing the reasonableness of the losses.
- (ii) Vulnerable centers/depots where excessive storage losses are occurring repeatedly are being identified regularly for close and intensive monitoring.

- (iii) Concept of special Physical Verification/Zero Physical Verification has been introduced wherever the losses are suspected to be higher than the normal level.
- (iv) Field officers have been instructed to intensify their inspections particularly on the depots where losses are reported to be on the higher side.
- (v) A special campaign has been launched to ensure that all the depots/storage premises are protected by boundary wall or barbed wire fencing to prevent any pilferage.
- (vi) 18 locations have been identified for deployment of CISF/State Armed Police to have more effective surveillance and security of the depots.
- (vii) Integrated security surveillance system comprising of professional man-guards and CCTV cameras are being adopted at 10 locations on pilot basis.
- (viii) The trend of storage losses is being monitored meticulously in the Monthly Progress Report meeting being held at FCI, Hqrs. level.
- (ix) Some of the godowns belonging to CWC and SWCs, which are showing consistently higher trend of storage losses, are being considered for de-hiring wherever possible.
- (x) A study for fixation of norms for storage losses on scientific basis is being conducted by ICAR at various locations in FCI/CWC godowns throughout the country for 3 years and the Report is likely to be furnished during 2017.

It is submitted that all out efforts are being taken by FCI to control the losses of foodgrains. The storage losses in 2014-15 have substantially come down to the trend of 0.07% (unaudited figures upto Nov, 2014). The quantum of foodgrain loss may seem to be on higher side but losses are not significantly high in view of huge operation undertaken by FCI. Some operational losses during storage/ transportation are bound to occur in spite of best possible measure taken to control the losses. However, efforts are being taken to reduce the losses further as advised by the Committee.

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Recommendation (Serial No. 18)

2.20 Viewing the level of quantity of foodgrains received vis-à-vis foodgrains lost in storage in different States under different zones, the Committee are constrained to note that here also the situation is quite alarming. For instance in North Zone, the prominent foodgrain losing States in storage is Uttar Pradesh (26.37 lakh tonnes/ 13016 tonnes), in West Zone the main foodgrain losing States in storage are Maharashtra (28.48 lakh tonnes/7755 tonnes) and Chhattisgarh (13.23 lakh tonnes/ 4297 tonnes). Similarly in South Zone, Andhra Pradesh (44.55 lakh tonnes/ 6392 tonnes), Karnataka (19.20 lakh tonnes/2060 tonnes), Tamil Nadu (21.08 lakh tonnes/4465 tonnes) are the States where foodgrain is lost in storage. Likewise in East Zone, Bihar (10.04 lakh tonnes/ 3312 tonnes)/ Odisha (10.02 lakh tonnes/ 2352 tonnes) and finally in North East, Nagaland (0.59 lakh tonnes/ 114 tonnes) and Assam (11.19 lakh tonnes/ 1688 tonnes) are major foodgrain losing States.

The Committee have been informed about various reasons responsible for huge storage losses. These inter-alia include loss of moisture content in rice, prolonged storage of foodgrains, deterioration of stocks especially in open type storage, fungus of stocks, rodents in storage etc. The Committee feel that all these difficulties can be easily manageable with scientific storage. In this connection, the Committee feel that role of Indian Grain Storage Management & Research Institute, Hapur (IGMRI) and its field stations at Hyderabad and Ludhiana is important and the Department of Food and Public Distribution should make use of necessary Research and Development activities.

The Committee, therefore, recommend that ways and means should be evolved by Department of Food and Public Distribution / FCI/ CWC as also with State Governments to chalk out a time bound programme in States facing storage losses to see that such storage losses are further reduced giving clear message to public that their money is not being wasted in storage losses.

Reply of the Government

2.21 The updated position of storage losses reported by FCI is as under :-

Year	Qty. received (lakh tonnes)	Loss in Qty. (lakh tonnes)	% of loss	Value of loss (Rs. in crore)
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- (ix) Some of the godowns belonging to CWC and SWCs which are showing consistently higher trend of storage losses are being considered for de-hiring wherever possible.

- (x) A study for fixation of norms for storage losses on scientific basis is being conducted by ICAR at various locations in FCI/CWC godowns throughout the country for 3 years and the Report is likely to be furnished during 2017.

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[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
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Recommendation (Serial No.25)

2.22 From State-wise performance made available to the Committee on various areas of Component I of the scheme, the Committee find that on data regarding FPS, Godowns, transparency portal, and toll-free number, significant progress has been made across States/UTs. The Committee, however, are constrained to note that on Ration Card Data, big States like Uttar Pradesh, Rajasthan and Odisha have done only 34%, 60% and 2% work. Further, the Committee are constrained to find that in areas like on line allocation and supply chain, only few States like Chhattisgarh, Delhi, Karnataka have implemented this. In other States, either it is in progress or is being implemented in few districts/ divisions/ blocks. In this connection, the Department of Food and Public Distribution has candidly admitted before the Committee that computerization and putting relevant information in public domain will increase transparency and reduce malpractices. However, the pace of computerization depends on the interest of respective State Government for which regular attention is drawn at highest level. In this connection, the Committee have been benefitted with the good work done about on-line food distribution in FPS shops in Raipur in Chhattisgarh that was shared by Secretary, Department of Food and Public Distribution.

In this connection, Secretary (Department of Food and Public Distribution) opined before the Committee that every Member of Parliament at their level should monitor the progress of computerization in their individual constituencies, only then tangible progress can be discernible at ground level. In view of the foregoing, the Committee recommend that Department of Food and Public Distribution should pay special attention to Uttar Pradesh, Rajasthan and Odisha which are moving very slow on ration card data area. The Committee also recommend that other States which have not done well in areas like online allocation and supply chain should be asked to speed up their work on the lines

of best performing States like Chhatisgarh, Karnataka and Gujarat. Regarding advising the Members of Parliament to monitor the computerization in their individual constituencies, the Committee welcome the suggestion for future guidance.

Reply of the Government

2.23 As per latest inputs from States, digitization of ration cards in Uttar Pradesh and Rajasthan has improved to 48 % and 87% respectively. As suggested by the Hon'ble Committee, Department of Food & Public Distribution would pursue with the State Government of Uttar Pradesh, Odisha, and Rajasthan to fast track implementation of the scheme. With a view to enable States/UTs to interact with one another and share the best practices, workshops were organized in the Department in July, 2014. Further, in December 2014 a meeting of Food Secretaries of all States/UTs was convened under the chairmanship of Hon'ble Minister in which while reviewing progress of implementation of the scheme, its expeditious implementation was also emphasized.

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Recommendation (Serial No. 26)

2.24 The Committee's examination has revealed four categories of States for the purpose of computerization, Category One where computerization is in advanced stage and the States are Chhatisgarh, Gujarat and Karnataka, Category Two where significant progress has been made and the States are Bihar, Delhi, Goa and Puducherry, Category Three where computerization is in initial stage and the States are A&N Islands, Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Odisha, Sikkim, Punjab, Tamil Nadu, Telengana, Uttar Pradesh and West Bengal and Category Four where not much progress has been reported and the States are Arunachal Pradesh, Assam, Haryana, Himachal Pradesh, J&K, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Rajasthan, Tripura, Uttarakhand and UTs of Chandigarh, Dadra and Nagar Haveli, Daman & Diu. The Committee feel that officials of Category One and Category Two should share their experiences with Category Three and Category Four States so that a balanced computerization of TPDS operations is visualized by the end of 12th Plan.

Reply of the Government

2.25 As explained under recommendation number 25, the Department has been organizing workshops and conferences of Food Secretaries of States/UTs to enable them to interact with one another and share the best practices which

also helps in resolving the issues coming in the way of speedy implementation of computerization scheme. Besides, Department has planned to release a newsletter on 'Best Practices in TPDS' which would be shared with all stakeholders including States/UTs.

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CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Serial No. 8)

3.1 The Committee's examination has revealed that Department of Food and Public Distribution is making available the foodgrains to public i.e. beneficiaries under AAP, BPL and APL at a highly subsidized cost. In this connection, the Committee find that Department of Food and Public Distribution with the Economic Cost as high as Rs. 19.93 for wheat and even higher cost of Rs. 27.65 for rice per kg. makes available to States these foodgrains including coarsegrains to beneficiaries under Antyodaya Anna Yojana (AAY), BPL and APL categories at fairly low price commonly known as Central Issue Price (CIPs). The Committee find that CIP for wheat is at Rs. 2.00, Rs. 4.15 and Rs. 6.10 per kg (AAY, BPL and APL categories) whereas CIP for rice is at Rs. 3.00, Rs. 5.65 and Rs. 6.30 respectively. The Committee also find that in addition to the above categories under National Food Security Act (NFSA), 2013 each household shall be entitled to get rice, wheat and coarsegrains at a subsidized price not exceeding Rs. 3, Rs. 2 and Rs. 1 to eligible households for a period of three years from the commencement of the Act.

The Committee further find that the difference between Economic Cost and CIPs is re-imbursed by FCI to States. Under Decentralized Procurement, State specific Economic Price is fixed by Government of India and difference between Economic Cost so fixed and Central Issue Price is released to States as food subsidy. The Committee find that per quintal increase in MSP for wheat and rice since 2004-05 till 2013-14 with no increase in CIP since 2002 is the reason behind huge component of subsidy year after year.

The Committee have also been informed that broadly the food subsidy comprises of three components viz. subsidy on acquisition cost that comes to 72% of the total subsidy, followed by subsidy on operational cost of FCI that is 25% of the total subsidy and the third is subsidy on carry over charges paid to State Agencies (for wheat only) that comes to 2.3% of the total subsidy. In this connection, the break-up of element of subsidy on wheat and rice at 2013-14 (RE) and 2014-15 (BE) have been made available to the Committee. In this connection, about considering review of CIPs vis-à-vis Economic Cost under TPDS during the last twelve years, the Committee have been informed that as and when Government decides to revise CIP, orders are issued, and neither independent study/evaluation in this regard has been undertaken by the Department nor State Governments/ UT Administrations have been consulted on the issue. The Committee, therefore, feel that there is an urgent need to have an independent study/evaluation of Economic Cost vis-à-vis Central Issue Price of wheat and rice so that shortcomings in the existing system are brought out for bringing about improvement in the over-all system of governing food subsidy.

Reply of the Government

3.2 This Department has considered reviewing the CIPs of foodgrains vis-à-vis Economic Cost under TPDS several times during the last twelve years. The matter has also been taken up to the Cabinet meeting earlier. However, Cabinet has not considered reviewing the CIPs of foodgrains. Now, under NFSA, the CIPs have been further lowered to Rs. 3/kg for wheat Rs.2/Kg for rice and Rs. 1/Kg for coarsegrains.

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(Department of Food & Public Distribution)
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Recommendation (Serial No.12)

3.3 As regard inadequate marketing infrastructure and poor capacity of State Agencies in Uttar Pradesh, Bihar, Jharkhand etc, the Committee feel that since these are State subjects, the State Governments be impressed upon to attract private investment for strengthening marketing infrastructure and for augmenting storage capacities of State Agencies in Uttar Pradesh, Bihar and Jharkhand.

Reply of the Government

3.4 The Government of India procures foodgrains from farmers at Minimum Support Price (MSP) to :-

- (a) ensure that farmers get remunerative prices for their produce and do not have to resort to distress sale.
- (b) distribute foodgrains to the consumers, especially the poor and vulnerable section at subsidized prices under the Targeted Public Distribution System(TPDS) and Other Welfare Schemes.
- (c) build up buffer stock of foodgrains to ensure foodgrain security and price stability.

Private stakeholders are free to procure the foodgrains directly from the farmers. The State Governments and their agencies procure foodgrains from the farmers to service the TPDS and other welfare schemes of the Government so that subsidised foodgrains are supplied to the poor and needy, and to build up buffer stocks of foodgrains to ensure foodgrain security.

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Recommendation (Serial No.14)

3.5 The Committee's examination has revealed that the role of FCI with regard to procurement of foodgrains has become limited. For instance, in the case of procurement of wheat, it is as low as 12% of the total procurement whereas in the case of paddy, it is still lower at 2% of the total procurement. Remaining 90% of foodgrains procurement is being done by State Governments and State Agencies. The Committee have also been informed by CMD, FCI that FCI takes care of surplus foodgrains, if any, available after procurement done by State Governments and State Agencies and moves it to deficit States. In this connection, the Committee find that in Assam, the procurement of foodgrains has been very little even though the production is there. As a result, FCI is moving foodgrains from Punjab and Haryana. In this connection, the Committee has been informed by Secretary, Department of Food and Public Distribution that despite persuasion for procurement, the Government of Assam has not taken steps for increasing the procurement and hoped Assam to come forward in this area. The Committee feel that Department of Food and Public Distribution should insist upon more and more decentralized procurement of foodgrains among different States including Assam so as to avoid unnecessary outgo of precious subsidy by reason of transporting foodgrains from one corner to other in the country.

Reply of the Government

3.6 In Punjab, Haryana & Madhya Pradesh the production is far more than local consumption due to reasons like high yield, productivity, availability of irrigation sources and lower population density. In Assam, the procurement of foodgrains has been very little even though the production is there. It is mainly due to large population and subsistence farming, therefore, despite huge production of foodgrains, surplus is relatively small hence, the foodgrains do not come in the market.

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CHAPTER IV

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

Recommendation (Serial No.2, Para No. 3.6)

- NIL -

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 2)

5.1 The Committee find that Department of Food and Public Distribution has not been getting the level of funds as proposed by them during 11th Plan (2007-2012) and 12th Plan (2012-2017) for their different Projects/Schemes. For instance, as against the proposed funds of Rs. 833.70 crore and Rs. 4871.48 crore, the funds allocated by the Planning Commission during 11th and 12th Plan were as low as Rs. 694.00 and Rs. 1523.00 crore. The Committee are further constrained to note that during 11th Plan, Rs. 67.26 crore remained unspent. While analyzing the reasons for less availability of funds during 12th Plan to Department of Food and Public Distribution, the Committee have found that this was occasioned by non-approval of three schemes viz. (i) Market Intervention Scheme for non-formal PDS through the State Civil Supplies Corporation and Consumer Marketing Federations; (ii) Construction of FPS-cum-Godowns and (iii) Computerization of PDS Component II. With the funds so reduced, the Committee find that only Rs. 1523.00 crore are available with Department of Food and Public Distribution as 12th Plan Outlay. The Committee find that out of Rs. 1523.00 Plan Outlay for Department of Food and Public Distribution, the major portion is going to two schemes viz. (i) Construction of Godowns by FCI/State Governments (Rs. 530.00 crore) and (ii) Computerization of PDS operations (Rs. 817.30 crore). For the scheme of construction of godowns, the Committee find that funds are released to FCI in the form of equity for purposes like land acquisition and for creation of related infrastructure like railway sidings etc. in North Eastern States, in select North –Eastern States and State of Jammu & Kashmir. The Committee are dismayed to witness that Plan funds provided in the Budget estimate stage are being reduced year after year in the first three years of the current plan. For instance, as against the BE of Rs. 60 crore in 2012-13, Rs. 45 crore in 2013-14 and Rs. 181 crore in 2014-15, the funds available at RE stage were as low as Rs. 33.28 crore, Rs. 3.00 crore and Rs. 107 crore (proposed). The Committee are also constrained to note that during 2014-15 as high as Rs. 52.01 crore are lying unspent as on 30.09.2014. The Committee are also unhappy to note that though reduced funds at RE have been fully spent by Department of Food and Public Distribution in first two years of the current Plan yet in the third year, i.e. 2014-15 the pace of expenditure has been still slower in comparison of proposed RE. Visualizing the funds and their utilization of another scheme of computerization of PDS operations during the first three years of the current Plan, they find that this scheme has not witnessed steep reduction in BE at RE stage during first two years i.e. 2012-13 and 2013-14 and the level of utilization is also good. They, however, are constrained to find that during the third year of the current Plan i.e. 2014-15, out of Rs. 128.50 crore, the level of utilization is only Rs. 27.28 crore. In this connection, the Secretary, Department of Food and Public Distribution was candid in his admission before the

Committee in expressing displeasure over pace of expenditure in respect of both of the two schemes referred to above and have expressed his dependability on States/UTs. The Committee, therefore, recommend that Department of Food and Public Distribution has to play a pro-active role on this issue so that Plan funds are not reduced drastically at RE stage during 2014-15 and budgeted amount is fully utilized in remaining two years of the current Plan.

Reply of the Government

5.2 NE States - Physical progress

During first two years of 12th five year plan i.e. 2012-13 & 2013-14, FCI could augment 5410 MT capacity. By rigorous follow-up & pursuing the impeding factors, a capacity to the tune of 1,31,030 MT has been physically in progress during the year 2013-14 and 2014-15, out of which 1,26,030 MT is targeted to be completed by the end of 2014-15. It is further submitted that 27,000 MT storage capacity has already been completed upto 31.01.2015. Keeping in view the current pace of utilization of funds, available funds shall be fully utilized. The impeding factors affecting the pace of implementation of 12th five year plan such as 'bandhs', 'delays in land acquisitions' etc. have either been resolved or overcome to some extent.

The issues of land acquisition, technical feasibility of railway siding, cancellation of land acquisition or non-identification of land etc. if not addressed to by the respective State Governments' and Railways (NFR) earnestly, could adversely affect the progress in the coming years.

Main reasons for delay in storage capacity creation by FCI under 12th Five year Plan are as under:

1. Delay in handing over of land by State Governments even when land cost deposited by FCI is as under:-

Location	Capacity	Amount deposited
Silchar/Bihara (Assam)	20000 MT	Rs.1.30 cr. deposited on 08.02.2013
Baghmara (Meghalaya)	2500 MT	Rs.0.28 cr. deposited in July, 2013
Jirania (Tripura)	20000 MT	Rs.0.69 cr. deposited on 27.6.2013
Jorthang (Sikkim)	3500 MT	Rs.0.31 cr. deposited on 20.4.2013
Tamenglong(Maniur)	5000 MT	Rs.1.41 cr. deposited on 26.3.2014
East Imphal (Manipur)	10000 MT	Rs.0.06 cr. deposited on 26.3.2014.
Bishnupur (Manipur)	5000 MT	Rs.0.19 cr. deposited on 04.04.2014.

2. Taking over of land allotted to FCI and work entrusted to construction agency is as under:-

Location	Capacity	Status
Shillong (Meghalaya)	5000 MT	Rs.0.55 cr. land cost deposited in July 2013 and the work to the tune of Rs. 1.20 cr. has been done by NBCC till date
Roing (Arunachal Pradesh)	1120 MT	Work has been entrusted to CPWD, which has awarded the work order but work is yet to start.

3. Inability of Railways to give technical feasibility for Railway siding:-
- a) Bongaigaon (Assam) - 35000 MT
 - b) Jonai/Dhemaji (Assam) - 20000 MT
4. Inability of State Govt. to complete land acquisition process:-
- a) Kokrajhar (Assam) - 15000 MT
 - b) Chandel (Manipur) - 2500 MT
5. Inability of State Govts. to identify land:-
- a) Aalo (Arunachal Pradesh) - 1670 MT
 - b) Sairang (Mizoram) - 15000 MT

Thus, it can be seen that the State Governments have either to hand over or to identify the land for a capacity of 161290 MT, out of the total approved capacity of 292730 MT. For the balance capacity i.e. 131440 MT, a capacity of 32410 MT has already been completed in 12th Plan (upto 31.01.2015) and the remaining capacity i.e. 99030 MT is likely to be completed by the end of March, 2015.

Further, progress is also hampered on account of following reasons:

1. Inclement weather.
2. Law and order situation.
3. Frequent bandhs
4. Difficult terrain.
5. Non availability of earth for filling

The respective State Govts. are being constantly pursued by FCI and the Department of Food & Public Distribution, by convening meetings with the Chief Secretaries/senior officers of the respective State Governments to resolve land acquisition issues.

It is assured that all out sincere efforts are being made to complete the targeted capacity of 2,92,730 MT under 12th Five Year Plan.

NE States - Financial Progress

In 2014-15, the total funds amounting to Rs.83.65crores (Rs.71.83crores earmarked to FCI as 2014-15 (RE) and Rs.11.82 crore as unspent funds available with FCI as on 1.4.2014) shall be utilized for construction of godowns which includes payments to Railways for providing Railway siding also. It is also to be mentioned here that an expenditure of Rs. 58.20 cr. has already been incurred upto 31.01.2015.

All out sincere efforts are being made to complete the targeted capacity of 1,26,030 MT and financial target of Rs.83.65 crores in 2014-15. Further, the total targeted capacity of 2,92,730 MT and the financial outlay of Rs.458.56 crores shall be fully met in 12th five year plan.

Jammu & Kashmir

It is clarified that no proposal for construction of godowns in the State of J & K has been approved under the 12th five year plan.

So far as Plan Scheme on 'End-to-end Computerisation of TPDS Operations' is concerned, it is being implemented on cost sharing basis with States/UTs under the 12th Plan (2012-17). Planning Commission allocated Rs. 817.13 crore for computerisation scheme in September, 2012. Subsequently, the scheme was considered by the EFC and thereafter, in October, 2012, Cabinet Committee on Economic Affairs (CCEA) approved Component-I of the scheme with funding requirement of Rs. 884.07 crore during 2012-17, which includes Government of India's share of Rs. 489.37 crore and States/UTs share of Rs. 394.70 crore. State Governments are required to submit proposals seeking financial assistance from the Central Government in accordance with the guidelines contained in administrative approval conveyed to States/UTs in December, 2012. During 2012-13, 2013-14 and 2014-15 (upto 31.12.2014) proposals were received from 31 States/UTs (including Telengana), out of which proposals of only 25 States were in accordance with guidelines issued by the Department. Accordingly, first instalment of Central share has been released to them. They would be eligible for release of second instalment of central share after they complete activities like digitisation of database, supply-chain management, setup grievance redressal mechanism and also submit utilisation certificate for the amount released by Central Government as first instalment. In addition to 25 States/UTs, Government of Haryana and Delhi have submitted proposals for release of central share of financial assistance. Funds were released to them under pilot scheme also, which has now been subsumed in scheme on 'End-to-end Computerisation of TPDS Operations under the 12th Plan. Any further release will be made to them after adjustment of funds already disbursed to them. Government of Arunachal Pradesh and UTs of Dadra & Nagar Haveli, Daman & Diu and Puducherry have been requested to submit proposals in accordance with the guidelines of the scheme and the matter is being regularly pursued with them through various review meetings, Video-Conference, etc. UT of Chandigarh has not submitted financial proposal so far. Since Chandigarh also had been given funds under pilot scheme, any further

payment would be made to the UT after receipt of financial proposal alongwith UC of the amount released under pilot scheme. Out of the remaining four States/UTs, from where proposals have not been received, Sikkim and UT of Andaman Nicobar Islands have informed that they do not require funds from Department of Food & Public Distribution as they have arranged funds for the scheme from other sources while Gujarat and Karnataka have sought funds only for Component-II of the scheme i.e. FPS automation. Matter is under consideration of the Government for deciding funding pattern for FPS automation. With a view to sensitise States/UTs to accelerate the pace of Computerisation, the Department has taken following steps:-

- Best practices of advanced States/UTs shared with others
- NIC has developed a Common Application Software (CAS) which has been offered to all States/UTs
- Discussions on TPDS Computerisation in States/UTs held during the Conference of State Food Ministers' and State Food Secretaries' in Sep' 2012, Sep-Oct 2013 and July 2014.
- Regional conference held in May 2013 at Guwahati wherein all North-Eastern States had participated including Sikkim.
- In July 2014, Hon'ble MoCA,F&PD has written to the State Chief Ministers/Food Ministers to expedite computerisation of TPDS.
- Computerisation of TPDS has been made a pre-requisite for grant of allocation under NFSA in July 2014.
- Hon'ble Minister (CA,F&PD) and Hon'ble MoS (CA,F&PD) emphasized on the need for early completion of TPDS Computerization during the Conference with 11 States/UTs implementing NFSA and the rest, held on 10th and 3rd December, 2014 respectively. During the Conference, States/UTs that have availed funds for TPDS Computerization were requested to send utilization certificate at the earliest so that next installment could be released.
- Video Conferencing is held with the States/UTs on a regular basis. Officials and Consultants visit the States/UTs to assess the situation and pro-actively help the States/UTs.

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Recommendation (Serial No.3)

5.3 The Committee, while analyzing the findings of Mid-Term Appraisal of 12th Plan find that it underlines the need for utilization of Plan allocations, implementation of National Food Security Act, end-to-end computerization, Strengthening Quality Control, creation of additional storage capacity, difficulties being faced by Department in terms of identification, acquisition of suitable land for taking up construction of storage godowns etc. In this connection, the

Committee have been informed by the Department of Food and Public Distribution that the Department is satisfied with the over-all implementation of on-going and new schemes so far during 12th Plan. The Department of Food and Public Distribution on the other hand has informed that implementation of National Food Security Act lies with State Governments/UT Administrations for setting up Grievance Redressal Mechanism both at State and District Level as also to create sufficient storage facilities etc. The Committee, therefore, conclude that since a lot of work is yet to be undertaken for implementation of National Food Security Act by different State Governments/UTs, the Committee are unable to comprehend the reason behind complacency on the part of Department of Food and Public Distribution in this regard. The Committee, therefore, recommend the Department of Food and Public Distribution to impress upon the State Governments/UT Administration so that required infrastructure for implementation of National Food Security Act is set up expeditiously in 11 States atleast where the National Food Security Act is being implemented at present and plan for such work in States which are soon to join implementation of National Food Security Act.

Reply of the Government

5.4 The National Food Security Act, 2013 (NFSA) came into force on 5th July, 2013. Department of Food & Public Distribution devised a proforma to ascertain preparedness of States/Union Territories (UTs) to implement the Act, which includes various preparatory steps to be taken by States/UTs such as finalization of guidelines for identification of beneficiaries, doorstep delivery of foodgrains, creation of sufficient and scientific storage capacity at various levels in the State, putting in place of Grievance Redressal Mechanism etc. The States/UTs are required to certify their preparedness for implementation of NFSA in that proforma, duly signed by Principal Secretary/Secretary (Food) of the concerned State Government. The 11 States/UTs where implementation of the Act has so far started, duly certified their preparedness and accordingly foodgrains under the Act are being allocated to them on the basis of identification of beneficiaries and preparedness to implement the Act, reported by them. Subsequently, the Department prescribed a revised proforma in July, 2014 for certifying the preparedness of States/UTs to implement NFSA, wherein the requirement of completion of the Plan scheme of end-to-end Computerization of Targeted Public Distribution System (TPDS) operations, was added. The States/UTs, which had already started implementation of NFSA, were requested to complete the same.

2. Status of implementation of NFSA in 11 States/UTs where it has started, was reviewed in a conference with their Food Secretaries, held on 3 December, 2014 under the chairmanship of Hon'ble Minister of State for Consumer Affairs, Food and Public Distribution. Implementation of end-to-end computerization of TPDS operations was also reviewed during the conference. In the conference, the need for necessary strengthening of TPDS in order to be able to successfully deliver entitlements in a rights-based approach under NFSA, setting up of proper grievance redressal mechanism, implementation of door-step delivery throughout

the State, identification of remaining beneficiaries wherever the coverage of beneficiaries under NFSA is partial, Digitisation of data as per eGov standards along with Aadhaar seeding and completion of other components of the ongoing scheme for TPDS computerization were emphasized.

3. A separate conference with Food Secretaries of 25 States/UTs where implementation of the Act is yet to start, was held on 10th December, 2014 under the chairmanship of Hon'ble Minister for Consumer Affairs, Food and Public Distribution to review status of their preparedness for implementation of the Act. Aspects relating to identification of beneficiaries, delivery of foodgrains upto door-step of fair price shops, end-to-end computerization of TPDS and setting up of effective Grievance Redressal Mechanism were discussed in detail during the conference. Important conclusions that emerged during discussions in the conference are as follows:

- xi. NFSA provided time limit of one year for completion of identification of eligible households, i.e. by 4.7.2014. Government of India has twice extended the time limit; upto 4.4.2015. NFSA is a Central legislation passed by the Parliament and therefore 25 States/UTs which are yet to start implementation of the Act should take all necessary measures to implement it within the extended period.
- xii. Correct identification of beneficiaries, necessary strengthening of TPDS through door-step delivery and TPDS computerisation and setting up of an effective grievance redressal mechanism must precede implementation of the Act so as to get rid of weaknesses afflicting existing TPDS.
- xiii. States/UTs which are not implementing door-step delivery throughout the State should immediately start it. In case it is not possible for the State Government or its agencies to do the door-step delivery, alternative arrangements should be worked out to ensure that FPS dealer, in no circumstances, is required to bear expenditure on transportation of foodgrains upto the FPS.
- xiv. SECC guidelines prepared by Ministry of Rural Development and available on their website may be used to evolve State specific criteria. For any clarifications States may consult their own Rural Development Departments and Ministry of Rural Development.
- xv. States/UTs should set up a proper grievance redressal mechanism as per provisions of the Act rather than doing it in perfunctory manner. In case any State/UT feels that an exclusive State Food Commission is not required, any existing Commission such as Women Commission, Child Commission, and Consumer Disputes Redressal Commission can be designated as State Food Commission, for which flexibility is provided in the Act.

- xvi. Implementation of NFSA should be used to clean up the beneficiaries' data base. Digitization of data as per e-Gov standards along with Aadhaar seeding should be completed on priority. The database could also be utilized by other Departments/schemes such as distribution of kerosene, etc. Digitized data must be hosted on the State TPDS portal. States/UTs should continuously update their progress on the Dashboard also.
- xvii. For the sake of transparency, criteria for identification and final list of beneficiaries should be placed on the Dashboard. In future, the Department may allocate foodgrains at subsidized prices for only those number of AAY and BPL families the information for whom is available on the Dashboard.
- xviii. List of beneficiaries should be finalized before digitization of the ration card data.
- xix. The timelines for digitization of beneficiary database and computerisation of supply chain were March, 2013 and October, 2013, respectively. These timelines had been conveyed to all States/UTs vide letters, during conferences and also placed before the Hon'ble Supreme Court. These timelines are well past and hence States/UTs must complete the activities under TPDS computerisation scheme without any delay.
- xx. States/UTs which fail to implement the Act by April, 2015, foodgrains allocation to them for APL households under existing TPDS may be considered at MSP.

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Comments of the Committee

5.5 Please see Para Nos.1.7 and 1.8 of Chapter-I of the Report.

Recommendation (Serial No.4)

5.6 On the issue of over-all preparedness for Quality Control during 12th Plan, the Department of Food and Public Distribution plans to manage with a total of 15 Quality Control Cells (QCCs) out of which 7 QCCs have already been set up and 8 new QCCs have been proposed for covering different States/UTs. For upgradation of existing infrastructure available with IGMRI, Hapur with the help of Central Warehousing Corporation (CWC) and National Institute of Plant Health Management (NIPHM), Hyderabad is being engaged as consultant in October, 2014 for setting up modern facilities for pesticides residue at IGMRI. Keeping in

view the fact that three years of the current Plan are already over and the demand for such QCCs may further rise if more States may join implementation of National Food Security Act in near future, the Committee recommend that new QCCs to be set up expeditiously to cater the likely demand for addressing the issue of Quality Control comprehensively.

Reply of the Government

5.7 Presently, there are 8 Quality Control Cells (QCCs) under the Department of Food & Public Distribution throughout the country covering all States /UTs. With a view to strengthen the Quality Control Mechanism 7 new QCCs have been proposed for focusing on major procuring /consuming and DCP States. The proposal to open new Quality Control Cell at Patna in Bihar is at final stage as the assessment of rent by CPWD, Patna for 3 premises has been completed. The State Government of Gujarat, Tamil Nadu and Assam, FCI and CWC HQs have been requested to provide office space accommodation for opening Quality Control Cell at Ahmedabad, Chennai and Assam. Three more offices are proposed to be opened at Jammu, Chandigarh and Jaipur during financial year 2015-16. Till the new QCC offices are opened, the existing 8 Quality Control Cells located at Benglore, Bhopal, Bhubaneswar, Kolkata, Hyderabad, Lucknow, New Delhi and Pune are looking after the quality issues of central pool foodgrains throughout the country.

Further, 26 technical posts of Technical Officers are under the process of direct recruitment after a gap of more than 15 years through Staff Selection Commission. With the recruitment of these technical posts the work in existing QCCs and proposed QCCs will be managed effectively.

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Recommendation (Serial No. 7)

5.8 The Committee are constrained to note that allocation of food subsidy has not been done as per actual requirement of funds in the country. As a result, funds are being managed by FCI through other avenues such as cash credit limit recommended by RBI, short-term loan from market etc. in order to meet the subsidy gap and ensure smooth procurement and distribution operations. For instance, during 2012-13, as against the total requirement of funds of Rs. 1,17,297 crore with FCI's requirement of Rs. 1,03,733 crore alone, the allocation was Rs. 84,554 crore only indicating shortage of Rs. 32,743 crore to be arranged by FCI from other avenues. The Committee find that inadequacy of level of funds for food subsidy has increased year after year in 2013-14 and 2014-15 resulting in increased dependence on other sources such as Banks. The Committee also find that shortage of funds for food subsidy has risen from Rs. 32,743 crore in

2012-13 to Rs. 53,458 crore in 2013-14 and may go upto Rs. 60,730 crore in current year. The Committee find that requirement of funds for food subsidy of FCI has increased from Rs. 1,03,733 crore in 2012-13 to Rs. 1,47,730 crore in 2014-15 and for DCP States the corresponding figures are Rs. 13,564 crore to Rs 23,500 crore. In this connection, it came out during the course of examination that above arrangement of managing the gap between requirement and allocation is met largely by a system of cash credit limit recommended by Reserve Bank of India based on individual request from different State Governments and sanctioned by State Bank of India. The Committee are constrained to note that the Department of Food and Public Distribution has relied on the data available with FCI.

It also came out during the course of evidence of the representatives of Department of Food and Public Distribution that the Department had been taking up the issue of insufficient fund at various levels from time to time. In this connection, the Committee have been informed by the Secretary, Department of Food and Public Distribution that since supply of foodgrains to different States is to be done by FCI and for that various charges like freight charges to Railways are to be paid in advance, the FCI tries to manage and then take loan from Banks to tide over the crisis. The Secretary, Department of Food and Public Distribution, (DFPD) further admitted that ultimately the interest burden falls on the Department.

The Committee have also been informed by Secretary (DFPD) that the Government within the budgetary resources provides funds but there is a feeling in the Department that more funds should have been provided for which Department of Food and Public Distribution are in regular dialogue with Ministry of Finance. In this context, the Committee have been informed that Department of Food and Public Distribution has already approached Ministry of Finance for allocation of sufficient funds through Supplementary Grants.

The Committee find that the trauma of insufficient funds that has been brought before the Committee relates to 2011-12 onwards till 2014-15. The Committee feel that FCI/Department of Food and Public Distribution might have been facing such problem in earlier years also. The Committee, therefore, feel that the level of sufficiency of funds to Department of Food and Public Distribution be examined threadbare and the issue be taken up with Ministry of Finance for appropriate action so that some way out is arrived within the budgetary resources in consultation with FCI/RBI, Banks, State Governments.

Reply of the Government

5.9 In this regard, it is submitted that allocation of funds for Food subsidy is made by the Ministry of Finance through budget keeping in view the Food subsidy requirement as well as other budgetary constraints. There has been gap in the requirement of funds for Food subsidy and allocation made in the budget since last several years. This problem is more acute in case of FCI. This

Department regularly keeps requesting Ministry of Finance for allocation of additional funds for Food subsidy. The latest letter on this issue has been sent by Hon'ble Union Food Minister to Hon'ble Union Finance Minister on 10.2.2015.

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Recommendation (Serial No.11)

5.10 Issues related with Procurement and high taxation in Punjab, Haryana and Andhra Pradesh and inadequate marketing infrastructure and poor capacity of State Agencies in Uttar Pradesh, Bihar and Jharkhand

Various issues with regard to procurement of foodgrains have come up before the Committee during their examination which include issue of high taxation in major procuring States like Punjab, Haryana and Andhra Pradesh thus increasing subsidy burden, inadequate marketing infrastructure and poor capacity of State Agencies like Uttar Pradesh, Bihar, Jharkhand etc. need for taking new initiatives like advance registration of farmers for procurement, on-line direct payment in other major foodgrain procuring States on the pattern of Madhya Pradesh, Odisha and Chhattisgarh, limited role of FCI on procurement, low level of procurement in States like Assam etc.

On the issue of high taxation in Punjab, Haryana and Andhra Pradesh, the Committee find it is as high as 14.5% in Punjab, 11.5% in Haryana and 11% in Andhra Pradesh and these State Governments have not reduced the same even after requested by Department of Food and Public Distribution. The Committee feel that with a view to avoid outgo of precious food subsidy, all cases of imposition of high taxation including the one pointed out by the Department of Food and Public Distribution, be taken up from the level of Hon'ble Minister, Food and Public Distribution to Chief Ministers of concerned State Governments.

Reply of the Government

5.11 Since the taxation comes under the purview of State Government, it is being fixed by the State Government. The Central Government is pursuing with the State Government to optimize the rational of taxation in order to avoid outgo of precious food subsidy. The matter is being dealt in at the level of Hon'ble Minister of Food & Public Distribution to Chief Minister of concerned State Government. Due to high taxation, State Government of Uttar Pradesh has been denied to utilize the services of arthiya in procurement operation in the State. States like Punjab, Haryana and Rajasthan where services of arthias are at present allowed, has been requested to gradually phase out services of arthias to save the incidental cost and subsidy.

[Ministry of Consumer Affairs, Food & Public Distribution

Recommendation (Serial No.19)

5.12 High Level Expert Committee for restructuring of FCI

The Committee find that a High Level Expert Committee has been constituted by the Government for re-structuring of FCI and the terms of reference of the Expert Committee, inter-alia, include examination of present set up of FCI, studying various models of unbundling of FCI to improving operation efficiency of FCI, to define role of FCI in MSP operations, to recommend scientific method of storage etc. The Committee learn that since the work done by the Committee is in formative stages, the Committee are, therefore, unable to comment on the issue till the Report of the Committee is presented to Government and would await the Report of the High Level Expert Committee before taking a final call in the matter.

Reply of the Government

5.13 A High Level Committee (HLC) of distinguished panel of experienced persons and experts was set up under the chairmanship of Shri Shanta Kumar, MP and former Union Food Minister to recommend on restructuring of FCI after considering various aspects of present structure and functional areas of the organization and consulting various stake holders within a time frame.

The HLC has submitted its report to PMO on 21.01.2015 and the Department has sought comments from FCI, concerned Ministries/Departments and State Governments on their recommendations for further examination and implementation.

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Comments of the Committee

5.14 Please see Para No.1.15 of Chapter-I of the Report.

Recommendation (Serial No. 20)

5.15 Dues recoverable from different Ministries

The Committee are anguished to note that crores of rupees of FCI are still recoverable from important Ministries and Government of India i.e. Ministry of Rural Development and Ministry of Human Resource Development on account of foodgrains supplied by FCI to these Ministries way back in 2001-02 to 2007-08 and 2010-11 onwards respectively. In this connection, the Committee are

constrained to note that as on date Rs. 2452.96 crore of FCI is recoverable from Ministry of Rural Development. In the case of Ministry of Human Resource Development, the Committee find that closing outstanding as on 30th September, 2014 are Rs. 502.63 crore.

The Committee fail to understand why huge dues of FCI, that too of previous years, are still recoverable from these Ministries. The Committee also feel that if all Central Ministries fail to pay dues of FCI than a day will come when FCI will not be able to give foodgrains to Ministries under different schemes. The Committee, therefore, recommend that Ministry of Rural Development and Ministry of Human Resource Development should return the dues to FCI forthwith and in full.

Reply of the Government

5.16 In so far as dues of FCI with MoHRD for allocation of foodgrains under MDM scheme are concerned, it is submitted that after introduction of decentralized payment system as well as regular monitoring by MoHRD, FCI and Department of Food & PD, most of the dues have been cleared. Further, MoHRD has submitted a proposal for increase in the amount available in Corpus Fund from existing Rs.300 crore to Rs.400 crore. In case, this proposal is approved by Ministry of Finance then this problem is likely to be resolved to a large extent.

2. In so far as getting the dues of FCI with MoRD are cleared, it is submitted that since several meetings held between officers of MoRD, DFPD & FCI failed to resolve the issue, the matter was taken up with the Committee of Secretaries. A meeting of Committee of Secretaries took place to resolve the issue on 9th December, 2014. After discussing the issue in detail, the COS recommended that a Committee may be constituted under the Chairmanship of AS&FA (DoF&PD) with AS&FA (MoRD) and Joint Secretaries concerned of DoF&PD and MoRD as members to resolve the issue. The Committee is to examine the issue of (i) settlement of pending dues taking into accounts the position stated by Department of Expenditure and (ii) budgetary head for payment and submit its recommendation within 3 weeks to the Cabinet Secretariat. Thereafter, MoRD will take up the matter with Department of Expenditure for head of account as well as additional budgetary provision for settlement of FCI's dues. The first meeting of the Committee was held on 6th January, 2015. Further action is being taken as per the decision taken in the meeting.

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Recommendation (Serial No. 21)

5.17 The Committee are constrained to note that lakhs of rupees of previous years of various State Governments are yet to be paid by FCI on account of Hill Transport Subsidy on various grounds like incomplete submission of relevant bills, absence of guidelines, non-establishment of payment to transporters etc. In this connection, the Committee find that Rs. 160.55 lakh of State Government of Sikkim, Rs. 996.39 lakh of State Government of Himachal Pradesh, Rs. 187.91 lakh of State Government of Mizoram, Rs. 26.05 lakh of State Government of Tripura for the period ranging largely from 2006-07 to 2014-15 is yet to be paid by FCI.

In this connection, the Committee have been informed by Department of Food and Public Distribution that FCI has to ensure genuineness of claim and to verify that stock has actually moved to Principal Distribution Centre (PDC) and as such, FCI is insisting the State Governments to submit the documents in support of payment made to transporter. However, State Governments are not doing the needful. The Committee have also been informed that bills which were not deficient have already been settled.

In the light of the foregoing, the Committee urge upon the Department of Food and Public Distribution to impress upon concerned State Government to do the needful so that the subject matter is issue is settled expeditiously.

Reply of the Government

5.18 This Department/FCI has time & again raised the matters relating to HTS bills, with the concerned States for expeditious disposal thereof. However, over the time, it has been observed that the main cause of the delay in processing of HTS claim, is non-submission of prescribed documents by the State Government Agencies. Food Corporation of India has again informed that they have taken up matter from time to time with the State Government to submit the claims along with the supporting documents for expeditious settlement of HTS claims. However, the concerned States failed to submit the claims along with required supporting document which caused delay in the settlement thereof.

Moreover, in compliance of the directions of Hon'ble Standing Committee, this Department vide letter No. 14-14/2006-Py-III dated 10th February, 2015 has taken up the matter with the concerned States to submit the prescribed documents along with HTS claims so as to enable FCI to process the same at the earliest.

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Recommendation (Serial No. 22)

5.19 Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU), 2014

The issue of non-payment of cane price arrears by Sugar Mills to cane growers largely in Uttar Pradesh has come up before the Committee in a big way. In this connection, the Committee learn from Department of Food and Public Distribution that surplus production over domestic consumption during the last three sugar seasons and low exports due to subdued international sugar prices have led to building up of sugar stocks with the Mills and lead to cane price arrears. In this connection, the Committee have been further informed by Department of Food and Public Distribution that though the Government fixes Fair and Remunerative Price of sugarcane on the recommendations of Agricultural Cost and Prices (CACD) fixation of higher cane prices by some States have compounded the problem. As a result, out of Rs. 57, 984 crores of total cane prices payable for crushing season 2013-14 (1st October to 30 September, 2014), Rs. 5414 crore is yet to be paid which is 9.34% of total payable price.

The Committee are dismayed to note that huge amount of dues of sugar cane growers are yet to be paid largely in Uttar Pradesh even after tall claim of Department of Food and Public Distribution that necessary advice has been given to State Government of Uttar Pradesh followed by a 14th August, 2014 meeting held by Hon'ble Minister of Food and Public Distribution with different stakeholders in this regard. The Committee once again urge Department of Food and Public Distribution to play a pro-active role on this issue so that dues of poor sugarcane growers are given to them in time.

Reply of the Government

5.20 Domestic as well as global surpluses have resulted in subdued sugar prices and consequent low realization from sale of sugar adversely affected the financial health of the sugar mills and their capacity to clear cane price arrears. However, the Government has taken various measures aimed at infusing liquidity in the sugar industry to alleviate its financial stress and enabling it to clear cane price payment to farmers. A scheme envisaging interest free working capital loan worth Rs.6600 crore to sugar mills for clearance of cane price arrears of farmers has been implemented. Entire ethanol supply chain under Ethanol Blending Programme (EBP) has been smoothened and a remunerative price has been offered for its supply. It may facilitate achieving 5% blending target at national level for which 10% blending is already permitted in some states keeping in view of the availability of molasses and ethanol. The import duty has been raised to 25% from 15% w.e.f. 21.08.2014 rendering imports quite unviable. Due to the efforts of the Government, cane price arrears are declining and cane price arrears in the State of Uttar Pradesh have been brought down to Rs.967 crores.

Recommendation (Serial No. 23)

5.21 Construction of Godowns by FCI/State Governments

The Committee's examination has revealed that in North Eastern Zone as the storage capacity is only 1% of the total storage facility of the country, remaining capacities in other zones like North Zone having 64%, South Zone having 15% etc, a Plan Scheme 'Construction of Godown by FCI of State Government' was launched in 11th Plan for enhancing storage capacities for PDS needs. The Committee also find that during 12th Plan (2012-17), Rs. 530 crore were provided with BE of Rs. 60 crore, Rs. 45 crore, Rs. 181 crore in first three years of the Plan. The Committee are constrained to note that the BE has been reduced under this scheme to the extent of Rs. 33.28 crore, Rs. 3.00 crore and Rs. 107 crore respectively. Frequent bandhs and less requirements of funds due to delay in land acquisition have been attributed as reasons for variation between BE and RE during 2012-13 and 2013-14. Further viewing the expenditure during all three years, the Committee find that Department of Food and Public Distribution had utilized the funds available at RE Stage during 2012-13 and 2013-14. As for 2014-15, the Committee are constrained to note that out of Rs. 107 crore (proposed RE), the actual expenditure is Rs. 54.05 crore as on 30.09.2014 leaving Rs. 52.01 crore as unspent. The Committee have been informed that the factors like bandhs and delay in land acquisition may not affect the pace of utilization during 2014-15 and the available funds are being utilized for on-going projects. Although the Government is implementing the Private Entrepreneurs' Guarantee (PEG) Scheme for augmenting storage capacities in different parts of the country including North East and has set up 120.03 lakh tonnes of capacity, in view of reduced RE year after year the Committee are unable to understand as to how FCI will be able to complete the on-going scheme. The Committee desire an explanation in this regard.

Reply of the Government

5.22 NE States - Physical progress

During first two years of 12th five year plan i.e. 2012-13 & 2013-14, FCI could augment 5410 MT capacity. By rigorous follow-up & pursuing the impeding factors, a capacity to the tune of 1,31,030 MT has been physically in progress during the year 2013-14 and 2014-15, out of which 1,26,030 MT is targeted to be completed by the end of 2014-15. It is further submitted that 27,000 MT storage capacity has already been completed upto 31.01.2015. Keeping in view the current pace of utilization of funds, available funds shall be fully utilized. The impeding factors affecting the pace of implementation of 12th five year plan such

as 'bandhs', 'delays in land acquisitions' etc. have either been resolved or overcome to some extent.

The issues of land acquisition, technical feasibility of railway siding, cancellation of land acquisition or non-identification of land etc. if not addressed to by the respective State Governments' and Railways (NFR) earnestly, could adversely affect the progress in the coming years.

Main reasons for delay in storage capacity creation by FCI under 12th Five year Plan are as under:

1. Delay in handing over of land by State Governments even when land cost deposited by FCI is as under:-

Location	Capacity	Amount deposited
Silchar/Bihara (Assam)	20000 MT	Rs.1.30 cr. deposited on 08.02.2013
Baghmara (Meghalaya)	2500 MT	Rs.0.28 cr. deposited in July, 2013
Jirania (Tripura)	20000 MT	Rs.0.69 cr. deposited on 27.6.2013
Jorthang (Sikkim)	3500 MT	Rs.0.31 cr. deposited on 20.4.2013
Tamenglong(Maniur)	5000 MT	Rs.1.41 cr. deposited on 26.3.2014
East Imphal (Manipur)	10000 MT	Rs.0.06 cr. deposited on 26.3.2014.
Bishnupur (Manipur)	5000 MT	Rs.0.19 cr. deposited on 04.04.2014.

2. Taking over of land allotted to FCI and work entrusted to construction agency is as under:-

Location	Capacity	Status
Shillong (Meghalaya)	5000 MT	Rs.0.55 cr. land cost deposited in July 2013 and the work to the tune of Rs. 1.20 cr. has been done by NBCC till date
Roing (Arunachal Pradesh)	1120 MT	Work has been entrusted to CPWD, which has awarded the work order but work is yet to start.

3. Inability of Railways to give technical feasibility for Railway siding:

- a) Bongaigaon (Assam) - 35000 MT
- b) Jonai/Dhemaji (Assam) - 20000 MT

4. Inability of State Govt. to complete land acquisition process:

- a) Kokrajhar (Assam) - 15000 MT
- b) Chandel (Manipur) - 2500 MT

5. Inability of State Govts. to identify land:
 - a) Aalo (Arunachal Pradesh) - 1670 MT
 - b) Sairang (Mizoram) - 15000 MT

Thus, it can be seen that the State Governments have either to hand over or to identify the land for a capacity of 161290 MT, out of the total approved capacity of 292730 MT. For the balance capacity i.e. 131440 MT, a capacity of 32410 MT has already been completed in 12th Plan (upto 31.01.2015) and the remaining capacity i.e. 99030 MT is likely to be completed by the end of March, 2015.

Further, progress is also hampered on account of following reasons:

6. Inclement weather.
7. Law and order situation.
8. Frequent bandhs
9. Difficult terrain.
10. Non availability of earth for filling

The respective State Govts. are being constantly pursued by FCI and the Department of Food & Public Distribution, by convening meetings with the Chief Secretaries/senior officers of the respective State Governments to resolve land acquisition issues.

It is assured that all out sincere efforts are being made to complete the targeted capacity of 2,92,730 MT under 12th Five Year Plan.

NE States - Financial Progress

In 2014-15, the total funds amounting to Rs.83.65crores (Rs.71.83crores earmarked to FCI as 2014-15 (RE) and Rs.11.82 crore as unspent funds available with FCI as on 1.4.2014) shall be utilized for construction of godowns which includes payments to Railways for providing Railway siding also. It is also to be mentioned here that an expenditure of Rs. 58.20 cr. has already been incurred upto 31.01.2015.

All out sincere efforts are being made to complete the targeted capacity of 1,26,030 MT and financial target of Rs.83.65 crores in 2014-15. Further, the total targeted capacity of 2,92,730 MT and the financial outlay of Rs.458.56 crores shall be fully met in 12th five year plan.

Jammu & Kashmir

It is clarified that no proposal for construction of godowns in the State of J & K has been approved under the 12th five year plan.

Recommendation (Serial No.24)

5.23 End-to-End Computerization of TPDS Operations

The Committee are constrained to note that Department of Food and Public Distribution is implementing only Component I of Plan Scheme of 'End-to-End Computerization of Targetted Public Distribution System (TPDS)' during Twelfth Plan (2012-2017) and have left Component II dealing with automation of FPS for future. In this connection, the Committee find that the total requirement projected for Component I and Component II before Planning Commission was Rs. 4273.47 crore on cost sharing basis. The Committee also note that EFC on September, 2012 decided to implement Component I with a cost of Rs. 884.07 crore with Centre's share of Rs. 483.37 crore and State's share of Rs. 394.90 crore with a sharing pattern of 50:50 for other than North East and 90:10 for North East.

The Committee are constrained to note that the implementation of scheme has been tardy during first three years viz. 2012-13, 2013-14 and 2014-15 for various reasons. In this connection, the Committee find that during 2012-13 late approval to the scheme in October, 2013 resulted in less time for States/UTs to send proposals whereas during 2013-14, the restrictions imposed by Ministry of Finance to spend not more than 66% in last quarter of a financial year halted the pace of expenditure which resulted in under utilization of budgeted amount. During 2014-15, out of Rs. 128.50 crore, the actual expenditure is only Rs. 27.48 crore as on 31.08.2014. Further, the Committee have been informed that Rs. 248.89 crore of Central Share, 1st instalment was released to States out of which the expenditure is Rs. 45.13 crore only. The Committee find that almost all the States have not utilized even the first installment. In this connection, the Secretary (Department of Food and Public Distribution) admitted candidly before the Committee that utilization of resources has been slow. The Committee, therefore, recommend that Department of Food and Public Distribution should sensitise the State Governments so that more and more proposals are forthcoming from these States/UTs for optimal utilization of funds in remaining years of 12th Plan.

Reply of the Government

5.24 The Department has initiated action to implement Component-II of the Computerisation Scheme i.e. FPS automation. Guidelines for FPS automation have been issued to all States/UTs in November, 2014. NIC is entrusted to develop software for Point of Sale (PoS) devices and overall solution. An MoU with STQC Directorate (DeitY) has been signed by this Department on

07.01.2015 for testing of PoS device. A proposal for providing financial assistance to States in the form of incentive for use of PoS device at FPSs is also under consideration in the Government.

As regards the need for improving the utilisation of allocation for TPDS Computerisation, reply to recommendation no. 5 also refers. Further, with a view to sensitise States/UTs to accelerate the pace of Computerisation, the Department has taken following steps:

- Best practices of advanced States/UTs shared with others.
- NIC has developed a Common Application Software (CAS) which has been offered to all States/UTs.
- Discussions on TPDS Computerisation in States/UTs held during the Conference of State Food Ministers' and State Food Secretaries' in Sep' 2012, Sep-Oct 2013 and July 2014.
- Regional conference held in May 2013 at Guwahati wherein all North-Eastern States had participated including Sikkim.
- In July 2014, Hon'ble MoCA, F&PD has written to the State Chief Ministers/Food Ministers to expedite computerisation of TPDS.
- Computerisation of TPDS has been made a pre-requisite for grant of allocation under NFSA in July 2014.
- Hon'ble Minister (CA,F&PD) and Hon'ble MoS (CA,F&PD) emphasized on the need of TPDS Computerisation during the Conference held with non-NFSA and NFSA States on 10th and 3rd December, 2014 respectively.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/13/2014-AC Dated the 5th March, 2015]

Comments of the Committee

5.25 Please see Para No.1.18 of Chapter-I of the Report.

NEW DELHI
9 June, 2015
19 Jyaistha, 1937 (Saka)

J C DIVAKAR REDDY,
CHAIRPERSON,
Standing Committee on Food,
Consumer Affairs and Public Distribution.

APPENDIX I

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2014-15) HELD ON TUESDAY, 2 JUNE, 2015

The Committee sat from 1100 hrs. to 1140 hrs. in Committee Room No. '139', First Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri J C Divakar Reddy - Chairperson

Members

Lok Sabha

2. Sh. Dharmendra Kumar
3. Smt. Sakuntala Laguri
4. Dr. Sakshi Maharaj
5. Shri Sunil Kumar Mondal
6. Smt. Priyanka Singh Rawat
7. Sh. Bholu Singh
8. Sh. Brij Bhusan Sharan Singh
9. Shri Nandi Yeliaiah

Rajya Sabha

10. Dr. Bhushan Lal Jangde
11. Dr. K.K. Ragesh
12. Sh. Dhiraj Prasad Sahu
13. Sh. Veer Singh

SECRETARIAT

1. Shri P.K. Misra - Additional Secretary
2. Sh. A.K. Shah - Director
3. Sh. Lovekesh Kumar Sharma - Additional Director
4. Sh. Khakhai Zou - Under Secretary

At the outset, Hon'ble Chairperson welcomed the Members to the Sitting of the Committee convened for consideration of following Memoranda:-

- (i) Memoranda No. 2 containing Draft Report (Chapter-I) on action taken by the Government on the observations/recommendations contained in 1st Report on Demands for Grants (2014-15) pertaining to Department of Food and Public Distribution; and

XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXX

2. Thereafter the Committee took up for consideration the above Memoranda containing the Draft Reports one by one. The Committee unanimously adopted both the draft Reports without any amendments.

3. The Committee then authorized the Chairperson to finalize the aforesaid Draft Reports and present the same to Parliament in the next Session of Parliament.

The Committee then adjourned.

XXXX Matter not related to the Report.

APPENDIX II

Name of the State/UT _____
 Revised Proforma for States on preparedness for implementation of
 National Food Security Act, 2013 (NFSA)

S.No.	Questions on steps to be taken by States	Answers
1.	Whether guidelines for identification of eligible households within population to be covered under TPDS have been finalized and notified.	
2.	Whether identification of households for which foodgrains are being sought, was done in accordance with guidelines and list of eligible households placed in public domain and put on website?	
3.	Whether ration cards under NFSA have incorporated the provisions relating to per unit allocation and empowerment of women (Section 13 of NFSA).	
4.	Whether the State is making doorstep delivery of foodgrains?	
5.	Whether sufficient and scientific storage capacity has been created at various levels in the State for storage of foodgrains under NFSA?	
6.	Whether Component-I of the Plan scheme on end-to-end computerization of TPDS operations has been completed.	
7.	Whether internal grievance redressal mechanism, including call centres, help lines, designation of nodal officers, etc. have been put in place as per Section 14 of NFSA?	
8.	Whether District Grievance Redressal Officer (DGRO) has been appointed/designated for each district as per Section 15 of NFSA?	
9.	Whether State Food Commission has been set up/designated as per Sections 16 to 18 of NFSA?	
10.	In case, answer to the above questions (1 to 9) is in affirmative, the date from which NFSA will be implemented.	

It is certified that the requisite preparatory work has been completed and the State is ready to implement the NFSA 2013 in a manner to withstand legal scrutiny.

Place :

Date :

Signature of Secretary/Principal Secretary (Food)

No.15-25/2014-NFSA
Government of India
Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)

Krishi Bhawan, New Delhi
3rd July, 2014

To

Principal Secretary/Secretary,
Department of Food and Civil Supplies,
State/UT of _____

Subject: Implementation of National Food Security Act, 2013(NFSA)

Sir,

Please refer to this Department's letter No. H-11018/1/2013-NFSA dated 19.04.2013 under which a general proforma was circulated for the States/UTs to certify their preparedness for implementation of NFSA.

2. As you are aware, the use of technology is extremely important to stop leakages and improve the distribution of foodgrains. With this objective, the Central Government is providing requisite funds to the States/UTs to carry out end-to-end computerization in Targeted Public Distribution System (TPDS).

3. In view of the above position, it has been decided that henceforth all the States/UTs intending to implement NFSA will be required to certify completion of Component-I of the end-to-end Computerisation, for which Central assistance is being provided, and send the revised Proforma (copy enclosed), duly signed, along with other requisite details.

4. The States/UTs, who have already started implementation of NFSA are requested to complete Computerisation (Component-I) and send the revised Proforma, duly signed, within three months of issue of this letter.

Yours faithfully,

Sd/-
(Nilambuj Sharan)
Director (NFSA)
23070371

Encl: As above

APPENDIX III

(Vide Para No. 4 of Introduction of the Report)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE FIRST REPORT OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2014-15)

(SIXTEENTH LOK SABHA)

- (i) Total number of Recommendations: 26
- (ii) Observations/Recommendations which have been accepted by the Government :

Serial Nos.:- 1, 5, 6, 9, 10,13, 15, 16, 17, 18, 25 and 26.

(Chapter – II, Total - 12)

Percentage : 46.15%

- (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government

Serial Nos. 8, 12 and 14.

(Chapter – III, Total - 3)

Percentage : 11.53%

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

Serial No. Nil

(Chapter – IV, Total -0)

Percentage : 0.00%

- (v) Observations/Recommendations in respect of which the interim replies of the Government have been received.

Serial No.:- 2, 3, 4, 7, 11, 19, 20, 21, 22, 23 and 24

(Chapter – V, Total - 11)

Percentage : 42.37%