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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2017-2018)

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 Twentieth Report of the Committee (2017-18) on Demands for Grants (2018-19) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

TWENTY-SECOND REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2018/ Shravana 1940 (Saka)

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(**SIXTEENTH LOK SABHA**)

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{Action Taken by the Government on the observations/ recommendations contained in the Twentieth Report of the Committee (2017-18) on Demands for Grants (2018-19) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)}

Presented to Lok Sabha on 6.08.2018

Laid in Rajya Sabha on 6.08.2018

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2018/ Shravana 1940 (Saka)

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Standing Committee on Food, Consumer Affairs and Public Distribution (2017-18).

Shri J.C. Divakar Reddy, Chairperson

Lok Sabha

2. Shri Anto Antony
3. Shri R. K. Bharathimohan
4. Shri Babu Lal Choudhary
5. Shri Sanjay Haribhau Jadhav
6. Shri Sukhbir Singh Jaunapuriya
7. Shri Dinesh Kashyap
8. Shri Bhagwanth Khuba
9. Shri Dharmendra Kumar
10. Shri Ravinder Kushwaha
11. Smt. Sakuntala Laguri
12. Dr. Swami Sakshiji Maharaj
13. Shri Sunil Kumar Mondal
14. Shri Kamlesh Paswan
15. Shri Ram Chander Paswan
16. Smt. Priyanka Singh Rawat
17. Shri Bhola Singh
18. Shri Shibu Soren
19. Shri Nandi Yellaiah
20. Vacant#
21. Vacant#

Rajya Sabha

22. Smt. Misa Bharti
23. Shri Subhasish Chakraborty@%
24. Shri Ripun Bora
25. Smt. M. C. Mary Kom
26. Shri Sakaldeep Rajbhar*
27. Shri Amar Shankar Sable
28. Shri Veer Singh
29. Shri Ravi Prakash Verma
30. Shri B. Lingaiah Yadav$
31. Vacant

LOK SABHA SECRETARIAT

1.	Shri P.V.L.N. Murthy	-	Joint Secretary
2.	Shri Lovekesh Kumar Sharma	-	Director
3.	Shri Khakhai Zou	-	Additional Director
4.	Smt. Darshna G. Khanduja	-	Senior Executive Assistant

% Shri Subhasish Chakraborty, MP (RS) nominated to the Committee w.e.f. 09.07.2018 vice Shri Manas Ranjan Bhunia, MP (RS)

@ Shri Manas Ranjan Bhunia, MP (RS) nominated to the Committee w.e.f. 02.06.2018 vice Shri Shadi Lal Batra, MP(RS) ceased to be a Member of the Committee consequent upon his retirement from the Membership of Rajya Sabha w.e.f. 02.04.2018.

***** Shri Sakaldeep Rajbhar, MP (RS) nominated to the Committee w.e.f. 02.06.2018 vice Shri Vinay Katiyar, MP(RS) ceased to be a Member of the Committee consequent upon his retirement from the Membership of Rajya Sabha w.e.f. 02.04.2018.

$ Shri B. Lingaiah Yadav, MP (RS) nomiated to the Committee w.e.f. 02.06.2018 vice Ms. Rekha, MP (RS) ceased to be a Member of the Committee consequent upon her retirement from the Membership of Rajya Sabha w.e.f. 26.04.2018.

Shri C.S. Puttaraju, MP (LS) and Shri P.V. Midhun Reddy, MP (LS) ceased to be a Member of the Committee consequent upon their resignation w.e.f. 18.05.2018. and 20.06.2018 respectively

INTRODUCTION

I, the Chairperson of the Standing Committee on Food, Consumer Affairs and Public Distribution (2017-18) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-second Report on Action Taken by the Government on the Observations/Recommendations contained in the Twentieth Report of the Committee (2017-18) on Demands for Grants (2018-19) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Twentieth Report was presented to Lok Sabha and laid in Rajya Sabha on 9 March, 2018. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 13 June, 2017.

3. The Report was considered and adopted by the Committee at their sitting held on 25 July, 2018.

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;
25 July, 2018
3, Shravana 1940 (Saka)

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

REPORT

CHAPTER - I

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 Twentieth Report of the Committee (2017-18), (16th Lok Sabha) on Demands for Grants (2018-19) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

1.2 The Twentieth Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 9th March, 2018. It contained 13 observations/ recommendations. Action taken replies in respect of all the 13 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 -

Para Nos.:- 2.10, 3.8, 3.18, 3.42, 3.43, 4.17, 4.24, 4.28 and 5.11

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

Para No.:- 4.13

(iii) Recommendations in respect of which replies of the Government have not been accepted by the Committee -

Para No.:- 3.26

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

Para Nos. :- 4.11 and 4.12

1.3 The Committee desire that action taken notes on the Observations/Recommendations contained in Chapter I and final replies in

respect of recommendation for which only interim reply has been given by the Government, be furnished to the Committee expeditiously.

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

A. Adoption of Decentralized Procurement Scheme (DCP) by States/UTs.

Recommendation (Para No. 3.8)

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

"The Committee note that due to various efforts/interactions made by the Department to convince/persuade the remaining States/UTs to adopt the Decentralized Procurement Scheme (DCP), 17 States/UTs have so far adopted the -DCP Scheme. The Committee are, however, not happy that the DCP Scheme which was introduced way back in the year 1997-98 with the objective to ensure that MSP is passed in a focused way to the farmers, encourage procurement in non-traditional States thereby extending the benefits of MSP to local farmers and saves on transportation cost, have not been adopted by several remaining States/UTs after 20 years of introduction. The Committee, therefore, hope that the Department will make more concerted efforts to pro-actively engage the States/UTs and help them to resolve various issues/difficulties faced by these States/UTs to enable them to adopt the scheme at the earliest.

The Committee would also like to be apprised of the reasons for less procurement of wheat and rice during 2017-18 for Central Pool."

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

"Government is making all out efforts for implementing the scheme in all the states & regular follow-up is being made with the non-DCP states to adopt the DCP mode. Currently 15 States/UTs have adopted DCP mode for procurement of paddy/rice and 8 States have adopted DCP Scheme for procurement of wheat. Since 2016-17 three States namely Maharashtra, Gujarat and Jharkhand (5 Districts) have adopted DCP mode for procurement of paddy/rice.

Further, request has been made by this Department to remaining major procuring non-DCP States i.e. Rajasthan, Uttar Pradesh, Jharkhand and Haryana to adopt the DCP System from time to time at the appropriate level. Government of Haryana denied adopting DCP System stating that Haryana is a surplus State and State procuring agencies have not enough storage capacity and have lack of quality. Hence State Government of Haryana is in a view that DCP Scheme may be restricted to foodgrains Deficit States. State Government of Rajasthan also requested to exempt it from DCP Scheme for procurement of wheat during RMS 2018-19 citing the reason of financial loss on account of arrangements due to low procurement. Jharkhand has adopted DCP mode for procurement of paddy/rice in one revenue Districts during KMS 2016-17 and for five revenue Districts during KMS 2017-18.

The procurement of wheat and rice for Central Pool during Marketing Season 2016-17 and 2017-18 is as under:

(Fig.in LMT)

KMS/RMS	2016-17	2017-18
Wheat	229.61	308.24
Rice	381.06	317.21#

Procurement during KMS 2017-18 is under progress. Data reported as on 18.04.2018.

As can be seen from above table, there has not been any decrease in procurement of wheat during RMS 2017-18 as compared to previous season. The procurement of wheat has gone upto a four year high of 308.24 LMT in RMS 2017-18 which is indicative of expanding outreach of procurement operations."

1.7 The Committee note that due to various efforts/interactions made by the Department, 15 States/UTs have adopted Decentralized Procurement Scheme (DCP) mode for procurement of paddy/rice and 8 States have adopted DCP Scheme for procurement of wheat. The Committee also observe that Government of Haryana declined to adopt DCP Scheme on the ground of being a surplus State and State Procuring agencies do not have adequate storage capacities and Rajasthan also requested to exempt it

from DCP Scheme for procurement of wheat during RMS 2018-19 citing financial loss on account of low procurement. The request of the Department to remaining major procuring non-DCP States such as Rajasthan, U.P., Jharkhand and Haryana has also not yielded positive results. Besides, it is observed that Government of Haryana was of the view that DCP Scheme may be restricted to foodgrain deficit States. Thus, the Committee feel that the efforts so far made by the Government to convince the States for adoption of DCP Scheme besides being insufficient and also need to be enhanced. The Committee, therefore, desire that all States/ UTs should be vigorously persuaded to adopt DCP Scheme at the earliest. The Department should also render all possible assistance to States/Government/Administration for creation of necessary infrastructure needed for adoption of DCP Scheme.

The Committee observe from above that DCP Scheme has not been adopted by all States while States like Haryana feel that the scheme be restricted to foodgrain deficit States. In view of the fact that the DCP Scheme is in operation for about two decades, the Committee desire the Government to thoroughly evaluate/review the effectiveness and assess if the objectives for which the scheme was started have been met so as to find the shortcomings, devise improvements in its implementation. The Committee be apprised of the vigorous/concrete steps taken by the Government to motivate State/UT Administration to adopt the DCP Scheme.

B. Food Subsidy- Regular/Under NFSA

Recommendation (Para No. 3.18)

1.8 The Committee earlier observed/recommended as under:

"The Committee note that Government is taking several measures/efforts to contain the food subsidy, such as Encouraging decentralized procurement and distribution of foodgrains; Issue of bonds by FCI at lower coupon rates, backed by Government guarantee; Improving the operational efficiency of FCI; Negotiating with the banks of the consortium of food credit to reduce the rate of interest on cash credit; Bringing in overall cost-effectiveness in the operation of FCI; Bringing down the level of surplus foodgrains stock through more liquidation under Open Market Sale Scheme and optimization of procurement through increasing market competitiveness etc. The Committee are, however, constrained to observe that the amount of food subsidy released to FCI has been constantly increasing over the years and BE of 2018-19 has now stood at Rs. 138123.00 crores against the Actual Expenditure of Rs. 104901.15 crores during the year 2017-18. The Committee are of the view that a saving of Rs. 6154 crore and Rs. 9153 crore during the year 2017-18 and 2018-19 respectively due to imposition of Goods and Services Tax (GST) is not sufficient achievement in containing food subsidy. The Committee, therefore, desire that the Department should make even more vigorous efforts to explore the possibility of containing food subsidy while ensuring regular supply and availability of subsidized foodgrains to the targeted beneficiaries under the National Food Security Act (NFSA)/Other Welfare Schemes (OWS) of the country."

1.9 The Ministry in their action taken reply stated:-

"States are allocated foodgrains at subsidized rates under national Food Security Act (NFSA) and other Welfare Schemes. Difference between Economic Cost and Central Issue Price (CIP) at which foodgrains are issued to States are reimbursed to FCI as subsidy. In case of States which have adopted Decentralized Procurement (DCP) Scheme, food subsidy is released to States by Government of India for quantity of food grains procured and distributed by them under NFSA and Other welfare schemes. Food subsidy is released to FCI & DCP States depending on the subsidy claims, amount of food subsidy found admissible, and the monthly/quarterly availability of budget.

Since 2004-05, the MSP of wheat has increased from Rs. 630 per quintal to Rs. 1735.00 per quintal in RMS 2018-19. Similarly MSP of paddy (Common) has increased from Rs. 560 per quintal to Rs. 1550 per quintal in KMS 2017-18. 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. With regard to rationalize expenses on incidentals, Department has introduced Policy of Usage Charges for packing of paddy. Further, all the expenses on procurement and distribution of foodgrains are being switched over to PFMS platform mandated by Ministry of Finance. Efforts for timely finalization of audited accounts of State Govt. are also being pursued."

1.10 Expressing concern over the ever increasing food subsidy, the Committee in their Original Report have expressed the need for more vigorous efforts to explore the possibilities of containing food subsidy. The Department in their Action Taken Reply have stated that though the MSP of wheat have increased since 2004-05, yet the CIP of wheat and rice has not been revised since 2002. As a result, the gap between economic cost and CIP has been widening thereby increasing the food subsidy bill. The Department has introduced policy of Usage Charges for packing of paddy and all expenses on procurement and distribution of foodgrains are being switched over to PFMS platform mandated by Ministry of Finance. Efforts for timely finalization of outdated accounts of State Government are also being pursued. While reiterating their earlier recommendation to make vigorous efforts to explore new avenues/possibilities of containing food subsidy, the Committee desire the Government to have re-look at the widening gap between CIP and economic cost of wheat and rice vis-à-vis the increases in MSP of wheat and rice in order to contain, if not reduce the ever increasing food subsidy bill. They desire to be apprised of the outcome of these steps taken by the Government in containing the food subsidy bill.

C. Settlement of pending Hill Transport Subsidy bills.

Recommendation (Para No. 3.26)

1.11 The Committee recommended as follows:-

"The Committee note that the Hill Transport subsidy scheme (HTS) that was operational since 1975 and applicable to the States of Himachal Pradesh, J&K, Andaman Nicobar Islands, Sikkim, Lakshadweep and six North Eastern States excluding Assam has now been discontinued w.e.f. 1-4-2017. They regret to observe that an amount of Rs. 2101.56 lakhs is still outstanding for payment to the States of Himachal Pradesh and Mizoram and in some cases, the claims are pending since the year 2006-07 and the Govt have not cleared the outstanding claims before discontinuing the scheme. The committee, therefore, desire that all outstanding claims of HTS Scheme be liquidated at the earliest under the NFSA,2013 keeping in view the fact that the HTS Scheme has since been discontinued."

1.12 The Ministry in their action taken note stated:-

"As on 31-03-2018, bills amounting to Rs.2038.37 lakhs are pending with FCI in respect of State of Mizoram (Rs.1139.10 Lakhs) and Himachal Pradesh (Rs. 899.27 Lakhs).

As regards the state of Mizoram, pending bills amounting to Rs. 1139.1 lakhs of State Govt. of Mizoram against the period 2011-12 to 2013-14 are due to non authentication of the Fund Flow Statement required to be enclosed to the HTS bills by the Treasury Officer of the State. State Govt. of Mizoram has stated that since the year 2009, payment to carrying contractors have been made through Office's bank account and there is no Treasury Officer function on actual payment of transportation cost to the carrying contractors and the concerned Treasury Officer cannot confirm the actual flow to the contractors. However, FCI Hqrs has issued instructions to concerned Regional office of FCI for clearing of bills at the earliest and it has been informed by the Regional office on 25-04-2018 that the pending bills will be processed within next 15 days and payment would be made, if found in order.

For Himachal Pradesh, HTS bills are pending for enroute destinations, which are not covered under HTS for H.P. State Govt has requested this ministry for relaxation in HTS guidelines so that reimbursement of HTS bills for enroute destinations in the State could be ensured. Ministry has received FCI's proposal on the matter & the proposal is currently being examined w.r.t financial implications & genuiness.

As per D/o Food & PD's earlier instruction, a Committee headed by DGM, RO, Assam was formed and the Committee has already hold several meetings with the State Govt. representatives.

The State Governments have been repeatedly informed to submit the HTS bills in the prescribed Performa. But they are yet to submit the HTS bills in the prescribed Performa to resolve the issue.

However, a meeting was also held on 11.04.2018 under the Chairmanship of Joint Secretary (P&FCI) on this issue and it was decided that FCI will take requisite action to clear the pending bills before 30.04.2018. FCI was also directed to direct all concerned EDs to organize meetings with these States to resolve the HTS issue."

1.13 The Committee in their Original Report have desired that all outstanding claims of Hill Transport Subsidy (HTS) be liquidated at the earliest keeping in view the fact that the scheme has since been discontinued w.e.f. 01.04.2017. The Department in its Action Taken Reply have stated that bills amounting to Rs. 1139.1 lakhs of State Govt. of Mizoram against the period 2011-12 to 2013-14 are pending due to non authentication of the Fund Flow Statement required to be enclosed with the HTS bills by the Treasury Officer of the State. However, FCI Hqrs has issued instructions to concerned Regional office of FCI for clearing of bills at the earliest and it has been informed by the Regional office on 25-04-2018 that the pending bills will be processed within next 15 days and payment would be made, if found in order. For Himachal Pradesh, HTS bills are pending for enroute destinations, which are not covered under HTS for H.P. State Govt has requested this ministry for relaxation in HTS guidelines so that reimbursement of HTS bills for enroute destinations in the State could be ensured. However, Department has also informed that a meeting was also held on 11.04.2018 under the Chairmanship of Joint Secretary (P&FCI) on this issue and FCI will take requisite action to clear the pending bills before 30.04.2018. It is, however, regrettable that the action taken reply furnished in June, 2018 is silent on current status as to the settlement of HTS bills and the steps taken by FCI to clear the pending HTS bills consequent to the meeting held on 11.04.2018. The Action Taken Reply is also silent on the settlement of HTS bills pertaining to Mizoram. The Committee, therefore, desire to be apprised of if all the pending HTS bills in respect of all the concerned States/UTs have been cleared keeping

in view that the deadline have since ended on 30 April, 2018 alongwith the reasons for non-settlement and the steps taken by the Department in this regard.

D. Full Computerization of Targeted Public Distribution System

Recommendation (Para No. 3.42)

1.14 The Committee earlier recommended as follows:-

"The Committee note that Public Distribution System (PDS) was evolved as a system of management of scarcity and for distribution of foodgrains at affordable prices. To strengthen the PDS operations, the Government is implementing the scheme of 'End-to-end Computerization of TPDS Operations' in collaboration with all the States/UTs under the 12th Five Year Plan (2012-17) and the scheme has been extended for two years i.e. upto March, 2019 with the approval of the competent authority without increasing the project cost. Under the Scheme of Computerization of TPDS Operations, Ration Card Digitization, Transparency Portal, Online Grievance Redressal and Toll Free Helpline Number have been reportedly completed in most of the States/UTs. However, the work relating to seeding of Aadhaar Card Number, online allocation and Supply Chain Automation are yet to be completed in many States/UTs, even though 81.86% of seeding of Aadhaar Card Number in Ration Cards is reported to be completed at the National level. Online allocation is stated to be pending in Arunachal Pradesh, Lakshadweep, Meghalaya and Nagaland due to power failure and network connectivity problem. The Committee desire that all pending works of Computerization of TPDS operations be expedited and completed at the earliest so that the challenges in TPDS operations in the country such as leakages and diversion of foodgrains, inclusion/exclusion errors, fake and bogus ration cards, lack of transparency, weak grievances redressal etc. are addressed to the extent possible."

1.15 The Ministry in their action taken reply stated as noted below:-

"The department is making vigorous efforts to complete all key activities under computerization scheme in all States/UTs. So far online allocation of foodgrains has been implemented in 30 States/UTs. It is also submitted that out of 36 States/UTs, 3 UTs i.e. Puducherry, Chandigarh and Dadra & Nagar Haveli (in urban areas) are transferring food subsidy into beneficiaries' bank account under the Direct Benefit Transfer (DBT) Scheme. Therefore, online allocation of foodgrains is not required in Puducherry and Chandigarh. Hence, online allocation is pending only in four States/UTs i.e. Arunachal Pradesh, Lakshadweep, Meghalaya and Nagaland. It is also submitted that Arunachal

Pradesh has already developed application for Online Allocation, but it couldn't be made live due to connectivity and IT infrastructure related issues. Lakshadweep is also facing similar challenges while implementing online allocation. So far Supply Chain Automation has been completed in 21 States/UTs. Supply Chain Automation of PDS Operations is not required in 2 UTs, Puducherry and Chandigarh due to implementation of Direct Benefit Transfer Scheme. Further, due to geographical difficulties and network connectivity issues, UT of Lakshadweep has been exempted for Supply Chain Management. Hence, Supply Chain Automation is pending in 12 States/UTs i.e. Arunachal Pradesh, Assam, Jammu & Kashmir, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Sikkim, Rajasthan and Uttarakhand. This Department had meeting with all States/UTs and asked them to expedite and complete all key activities under computerization scheme at the earliest and accordingly NIC has also been asked to provide necessary technical assistance to these States for completing pending activities. At present, overall Aadhar seeding in Ration Cards has reached to 82.68% at the National level. Department has prepared and issued guidelines/ best practices for increasing Aadhar Seeding and validating Aadhar numbers. Progress of Aadhar seeding in North Eastern States is slow mainly due to poor/negligible Aadhar generation in Assam and Meghalaya. Further, in West Bengal ration cards are issued on individual basis. As informed by State Government of West Bengal, 6.02 Crore individual ration cards in the State correspond to 1.48 crore households. Accounting for these, i.e. by excluding Assam and Meghalaya and taking the number of beneficiary households in West Bengal, the effective Aadhar seeding is about 90.47%, where Aadhar of at least one member of the ration card/household is seeded."

1.16 The Committee in the Original Report had recommended that all pending work of computerization of TPDS operations be expedited and completed at the earliest. The Department in its Action Taken Reply have stated that they are making vigorous efforts to complete all key activities under computerization scheme in all States/UTs. The Department had held meetings with all States/UTs and asked them to expedite and complete all key activities under computerization scheme at the earliest. However, so far, Supply Chain Management of PDS operations have been completed in 21 States/UTs and the same is pending in other 12 States/UTs. The online allocation could not be activated due to IT related issues in case of Arunachal Pradesh and Supply Chain Management has been exempted to Lakshadweep due to geographical difficulties and network related issues. Supply Chain Management of PDS operations is not required in 2 UTs of Puducherry and Chandigarh due to implementation of Direct Benefit Transfer Scheme. The Committee are not satisfied with the progress of Computerization of PDS Operations in the country. They, therefore, reiterate their earlier recommendation that the Department should take vigorous/concrete steps in a time bound manner to expedite completion of activities such as online allocation, supply chain automation and Aadhaar seeding in ration cards at the earliest so that the multiple loopholes in the PDS operations in the country could be plugged/contained to a certain extent.

E. Strengthening of PDS Operations.

(Recommendation Para No. 3.43)

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

"The Committee appreciate that the Government has taken several initiatives such as Direct Benefit Transfer (DBT) (Cash Transfer) of food subsidy, DBT (in kind) distribution of subsidized foodgrains including a new scheme viz. Integrated Management of PDS (IM-PDS) to establish PDS Network (PDSN) to implement national level portability, Central Data Repository and Central Monitoring System of PDS Operations. The Committee hope that proper implementation of these initiatives will enable PDS beneficiaries to lift entitled foodgrains from any shop in the State where ePoS device has been installed. The Committee, therefore, urge the Department to make all out efforts to ensure that all these initiatives are implemented in all the States/UTs. The Department shall also seriously look into the challenges faced by some States/UTs regarding network connectivity and power failure by providing financial as well as technical assistance to these States/UTs."

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

"This Department has approved the new scheme on Integrated Management of Public Distribution System (IM-PDS) to be implemented during FY 2018-19 and FY 2019-20 with total budget outlay of Rs. 127.30 Crore. This Department has already conveyed Administrative approval for the Scheme to all States/UTs and NIC vide letter dated 5th April, 2018. Empowered Committee (EC) has been re-constituted under the Chairmanship of Secretary (FPD) for "End-to-End Computerization of TPDS Operations" and "Integrated Management of Public Distribution System (IM-PDS)". NIC being technical partner for implementation of IM-PDS scheme has been requested to prepare a Standard Operating Procedure (SOP) for implementation of Portability and National Level De-duplication of ration cards/beneficiaries in consultation with identified States and share the requirement of hardware/servers and technical resources for implementation of the project. NIC has submitted the MOU to be signed with DFPD and the same is under consideration. The proposal for hiring of manpower for implementation of IM-PDS by NIC has been examined and IFD has concurred the proposal for release of an amount of Rs. 1,78,25,353/- subject to furnishing

MoU and Indemnity Bond by NICSI. All the States/UTs have been requested to submit the proposal/MOU to be signed with the Department for implementation of the IM-PDS scheme.

Implementation of IM-PDS will enable national level portability of foodgrains entitlements. Portability of entitlements within State is already being implemented in Andhra Pradesh, Haryana, Telangana, Maharashtra, Kerala, Karnataka, and Rajasthan (intra-District) and partially in Chhattisgarh, Madhya Pradesh and Tripura.

The scheme of cash transfer of food subsidy is implemented as per provisions of the Cash Transfer of Food Subsidy Rules, 2015, notified under the National Food Security Act. As per these Rules, the scheme of cash transfer can be implemented in identified areas, subject to fulfillment of certain conditions regarding preparedness for its implementation. Identified areas is defined under the Rules as a State or UT or any specified area within the State or UT, for which there is written consent of the state government for implementation of the scheme, It is therefore upto State Governments/UT Administrations to implement the cash transfer of food subsidy scheme or continue with distribution of foodgrains through fair price shops. In the UTs of Chandigarh, Puducherry and urban areas of Dadra & Nagar Haveli, NFSA is being implemented in cash transfer mode under which cash equivalent of subsidy is being transferred directly into the Bank accounts of eligible households to enable them to purchase foodgrains from open market.”

1.19 The Committee in their Original Report urged the Department to ensure the Direct Benefits Transfer of food subsidy in cash or kind etc. be implemented in all the States/UTs and fix network connectivity and power failure problems faced by some States/UTs by providing financial/technical assistance. The Department in its Action Taken Reply have stated that the Department has approved a new scheme namely 'Integrated Management of Public Distribution' (IM-PDS) to be implemented during financial year 2018-19 and financial year 2019-20 and administrative approval for the scheme has also been conveyed to all States/UTs. This Scheme will enable national level portability of foodgrains entitlement. However, the Action Taken Reply is silent on the recommendation of the Committee regarding challenges faced by States/UTs as to the network connectivity and power failure by providing financial as well as technical assistance to these States/UTs. The Committee would like to be informed as to the extent to which the new scheme has helped in strengthening the PDS operations in the country and also how it addresses the challenges faced by some States/UTs regarding network connectivity and power failure problems.

F. Capital Re-structuring of FCI.

Recommendation (Para No. 4.11)

1.20 The Committee in their earlier report recommended as:

"The Committee note that re-structuring of FCI Capital has been proposed in Budget 2018-19 to enhance equity and to raise long term debt for meeting its working capital requirement. The Ministry of Financed has accordingly decided that the capital requirement for holding the Stocks shall be pegged at Rs 50,000 crore of which Rs.45,000 crore shall be financed through borrowed capital and Rs.5,000 crore through equity infusion. The equity of Rs.5000 crore will be infused in FCI over 2 years. Further, the FCI shall raise Rs 32,000 crore through Government guaranteed bonds. The committee hopes that with the infusion of more capital, the FCI which is the Government's nodal agency for procurement and distribution of foodgrains, would be able to improve performing its mandate while discharging its functions."

1.21 The Ministry in their action taken reply stated as under:

"As per decision taken in meeting held on 11.01.2018 in DEA, the following proposals have been sent to DEA vide I.D. No.11019/1/2017-FC-II/III dated 16.03.2018:

a. Equity infusion in 2018-19 = Rs.2500 crore;

b. Equity infusion in 2019-20 = Rs.2500 crore;

c. Enhance the authorized equity capital to Rs.10,000 crore from existing level of Rs.3500 crore before equity infusion.

d. Permit FCI to raise Government Guaranteed Long Term Bonds for Rs32,000 crore as follows:-

2018-19 = Rs.8,000 crore
2019-20 = Rs.8,000 crore
2020-21 = Rs.8,000 crore."

1.22 Keeping in view the proposed infusion of more capital, the Committee hoped that FCI which is the Government's nodal agency for procurement and distribution of foodgrains, would be able to improve performing on its mandate while discharging its functions. The Department in its Action Taken Reply have stated that proposals have been sent to Department of Economic Affairs on 16.03.2018 for (a) Equity infusion in 2018-19 and 2019-20 = Rs. 5,000 crore; (b) Enhancing the authorized equity capital to Rs. 10,000 crore from the existing level of Rs. 3,500 crore before equity infusion; and (c) Permit FCI to raise Government guaranteed long-term bonds during 2018-19, 2019-20, 2020-21 and 2021-22 for Rs. 32,000 crore. The Committee desire to be apprised of the current status of the proposal for equity infusion in 2018-19 sent to Department of Economic Affairs in March, 2018 and to what extent these proposals would be able to strengthen and improve the functioning of the FCI in the performance of its mandate of procurement, storage and distribution of foodgrains in the country.

G. Dues and liabilities of FCI.

Recommendation (Para No.4.12)

1.23 The Committee in their earlier report recommended as:

"The Committee are of the view that outstanding dues to FCI from various Central Ministries are very high. The outstanding dues of FCI from the Ministry of Rural Development against the foodgrains supplied under Samporan Gramin Rojgar Yojana (SGRY) Schemes upto 31.03.2008 is Rs. 2452.96 crore, the Ministry of Human Resource Development against foodgrains supplied under Mid Day Meal (MDM) Scheme as on 31.12.2017 is Rs. 248.87 crore and the Ministry of External Affairs against wheat issued to World Food Programme (WFP) for supply of fortified biscuits to Afghanistan under Government of India’s donation to Afghanistan till date is Rs. 47.99 crores. The Committee are of the view that since interest accrued on account of delayed payment is also loaded on food subsidy bill of the Government which is already high. The Committee, therefore, urge the Department/FCI to take steps for expeditious settlement of outstanding dues from the various Central Ministries not only to prevent undue burden on Food Subsidy Bill but also to utilize the funds for some important development schemes of the government.”

1.24 The Ministry in their action taken reply stated as under:

"In this regard it is informed that the matter is being taken up in the Department and recently a meeting was also held on 16.03.2018 at Krishi Bhawan, New Delhi under the Chairmanship of Secretary (Food) to clear the dues of other Ministries. The matter is also being followed with the concerned Ministries to clear the FCI’s dues.”

1.25 Observing that outstanding dues of FCI from various Central Ministries were very high, the Committee in their Original Report urged the Department/FCI to take steps for expeditious settlement of such outstanding dues of FCI. The Ministry in their Action Taken Reply informed that the matter is being taken up in the Department and recently a meeting was held on 16.03.2018 and the matter is being followed with the concerned ministries to clear FCI dues. The Committee would like to be apprised of the concrete steps/follow-up action taken with the concerned ministries to clear outstanding dues of FCI and the outcome thereof including the extent to which outstanding dues of Rs. 2749.82 crore have been cleared.

H. Reduction of cane price arrears.

Recommendation (Para No. 5.11)

1.26 The Committee in their earlier report recommended as:

"The Committee note that in order to facilitate sugar mills to clear cane price arrears, the Government has taken several measures such as providing incentive for exporting raw sugar, fixing of remunerative price for supplies of ethanol to Oil Marketing Companies (OMCs), extending loans to sugar mills with interest subvention @10% per annum etc. However, there is outstanding huge cane price arrears to the tune of Rs. 11269.25 crore, Rs. 1064.12 crore and Rs. 1686.14 crore pending for the sugar season 2017-18, 2016-17 and 2015-16 respectively, despite the fact that cane price are supposed to be paid withing 14 days of supply of cane. The long outstanding cane price arrears is a matter of serious concern. It is also imperative to protect the interest of farmers so that they continue to cultivate sugarcane. The Committee also note that for the current season 2017-18, Government has fixed remunerative price of ethanol for supply under Ethanol Blending Programme (EBP) at Rs. 40.85 per litre, which will facilitate the industry to minimize cane price arrears of farmers. While appreciation the various steps taken by the Department to bring down the cane price arrears, the Committee urge the Department of Food and Public Distribution to strongly prevail upon the State Govts./ sugar mills to take steps to clear all outstanding cane price arrears at the earliest in the interest of the cane farmers. The action taken in this regard be apprised to the Committee."

1.27 The Ministry in their action taken reply stated as under:

"In order to stabilize sugar prices at reasonable level to improve liquidity of mills thereby enabling them to clear cane price dues of farmers, Central Government has taken following steps in the current sugar season:

(a) Increased customs duty on import of sugar from 50% to 100% to check any import to the country.

(b) Imposed stock holding limits on producers of sugar for the months of February and March, 2018 to stabilize domestic sugar price.

(c) Withdrawn Customs duty on export of sugar to encourage sugar industry to start exploring possibility of export of sugar.

(d) Allocated mill-wise Minimum Indicative Export Quotas (MIEQ) of 20 LMT of sugar for export during sugar season 2017-18.

(e) Re-introduced Duty Free Import Authorization (DFIA) Scheme in respect of sugar to facilitate and incentivize export of surplus sugar by sugar mills.

(f) Extended financial assistance to sugar mills @ Rs.5.50/qtl of cane crushed during 2017-18 sugar season to offset the cost of cane.

The Central Government is continuously taking up the matter with respective State Government/Union Territory Administrations for clearance of cane price arrears.

Due to the efforts of the Government, as on 12.04.2018 out of total payable amount of Rs. 67930 crores for sugar season 2017-18, Rs. 50958 crores (75%) has been paid to the farmers and the season is still in progress. Further as on 12.04.2018 cane price arrears of 2016-17 have been reduced to Rs. 575 crores, for 2015-16 to Rs. 697 crores and for 2014-15 and earlier to Rs. 966 crores."

1.28 In their Original Report, the Committee urged the Department to strongly prevail upon the State Governments/Sugar Mills to take steps to clear outstanding cane price arrears at the earliest. The Department in their Action Taken Reply have stated that due to efforts taken by the Government as on 12.04.2018, out of total payable amount of Rs. 67930 crores for sugar season 2017-18, Rs. 50958 crores (75%) has been paid to the farmers and the season is still in progress. Further as on 12.04.2018 cane price arrears of 2016-17 have been reduced to Rs. 575 crores, for 2015-16 to Rs. 697 crores and for 2014-15 and earlier to Rs. 966 crores. The Action Taken Reply is silent on the aspect as to the extent by which the Ethanol Blending Programme has contributed to the industry in minimizing cane price arrears of farmers. The Committee, while appreciating the efforts made by the Department to reduce cane price arrears, are of the opinion that the cane price arrears are still on a very high side at Rs. 19210 crores cumulatively for the years 2014-15, 2015-16, 2016-17 and 2017-18 which needs to be reduced further. The Committee, therefore, desire that more stringent efforts be made to reduce cane price arrears further. The Committee would like to be apprised of the status in this regard. The Committee further desire to be apprised of the impact of the Ethanol Blending Programme on the industry and to what extent it helped in minimizing cane price arrears of farmers.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.10)

2.1 The Committee note that BE of the Department during the year 2017-18 for Revenue Schemes was ₹ 150952.64 crores which was revised at RE stage but actual expenditure incurred is upto ₹ 141008.32 crores. The Committee note that for Capital Schemes during 2017-18, BE was ₹ 50523.05 crores which was reduced to ₹ 50499.65 crores but actual expenditure as on 31.12.2017 was ₹ 6431.63 crores. The Committee feel that revising the estimate at RE stage and then not utilizing the revised allocated funds shows lack of perspective planning on the part of the Department. The Committee further note that there is under-spending in the schemes/programmes under the head Revenue and Capital such as Quality Control Cell, Food Subsidy to FCI and DCP States, Sugar Subsidy payable under PDS, Strengthening of PDS Operations, Construction of godowns by FCI in North-Eastern regions, Ways and Means payable to FCI etc. The Committee desire the Ministry to make all out efforts to further strengthen its monitoring over the implementation of all the Schemes/Projects. The Committee, therefore, strongly recommends that Department should make advance and better planning to fix realistic targets and to ensure that the allocation earmarked for different schemes/programmes are fully utilized during the year itself.

Reply of the Government

2.2 The status of expenditure under Revenue Section as well as Under Capital Section was changed as on 31.03.2018. The actual expenditure for FY 2017-18 (as on 31.03.2018) is as under:

Revenue schemes: Against BE 2017-18 of ₹150952.64 crores and RE 2017-18 of ₹146309.57 crores, actual expenditure is ₹106285.24 crores (Supplementary-I expenditure statement). This includes charged expenditure of Rs. 0.01 crore.

Capital schemes: Against BE 2017-18 of ₹50523.05 crores and RE 2017-18 of ₹50499.65 crores, actual expenditure is ₹50499.56 crores (Supplementary-I expenditure statement).

So far as the less expenditure during 2017-18 under Revenue Schemes is concerned, it was mainly due to two policy decisions of Ministry of Finance.

Under the scheme ‘Food Subsidy to FCI under NFSA’ final demand was ₹ 140853 crore (₹ 115550 crore for 2017-18, ₹ 14000 crore for re-payment of NSSF Loan principal & ₹ 11303 crore towards arrears). Against this, ₹ 107138.60 crore was provided in BE 2017-18 and ₹ 3356.27 crore was provided through 2nd Supplementary Demands for Grants. Before finalization of RE 2017-18, an expenditure of ₹ 104901.15 crores was made.

However, Ministry of Finance sanctioned NSSF loan of ₹ 25000 crores to FCI on 13.12.2017 and reduced the budget allocation under food subsidy from BE 2017-18 of ₹107138.60 crores to ₹ 101981.69 crores in RE 2017-18, and accordingly, the overall RE 2017-18 ceiling of the Department was reduced to ₹ 146309.57 crores against the BE 2017-18 of ₹ 150952.64 crores.

It was also directed by Ministry of Finance to adjust the excess food subsidy of ₹ 2919.46 crores (w.r.t. RE 2017-18) already released to FCI at that time, from the NSSF loan of ₹ 25000 crores.

Further, in an another policy decision, Ministry of Finance vide letter No. 5/5/2016-NS dated 31.03.2018 sanctioned NSSF loan of ₹ 40000 crores to FCI with direction to withdraw the sanction for release of ₹ 40000 crore provided as food subsidy to FCI and accounting entry thereof be got reversed with the surrender of equivalent amount from food subsidy head. Accordingly, ₹ 40000 crores already released to FCI was withdrawn after adjustment from NSSF Loan and was surrendered to Ministry of Finance on 31.03.2018 from food subsidy to FCI which reduced its expenditure to ₹ 61981.69 crore and final expenditure for 2017-18 under Revenue Schemes also came down drastically to ₹ 106285.24 crores (provisional) only.

However, excluding the surrender of ₹ 40000 crore under Food Subsidy to FCI (policy decision of Ministry of Finance), the total expenditure comes to 99.98% in Revenue Schemes w.r.t. RE 2017-18.

So far as Capital Expenditure is concerned, BE 2017-18 of ₹ 50523.05 crore was reduced to ₹ 50499.65 crore at RE 2017-18 stage mainly due to technical supplementary of ₹ 22.65 crore passed by the Parliament during in 1st supplementary stage of 2017-18. This amount was surrendered (under MH 4552) to meeting the requirement under Revenue Section (MH 2552) of the same scheme. Saving under Major Head ‘4552’ was due to delay in acquisition of land by State Governments / delay in acquisition of projects by implementing agencies, especially in Manipur and huge unspent balance lying with FCI. The final expenditure under Capital Section was ₹ 50499.56 crore (provisional) which is 100% (appx) w.r.t. RE 2017-18.

Initially expenditure was low but as per MEP. As per Ministry of Finance instruction dated 28.12.2016, in order to save interest cost, Ways and Means Advance is to be released to FCI as per their need only after the food subsidy to FCI gets exhausted. MEP in respect of Food Subsidy to FCI and Ways and Means Advance to FCI was prepared accordingly. The releases under these heads were made with the prior approval of the Ministry of Finance.

The status of final expenditure and reasons for under spending in respect of other schemes mentioned in the report is as below:

(Rs. in crore)

Scheme / programme	**BE 2017-18**	**RE 2017-18**	**Expenditure as on 31.03.2018**	**Reason for under utilization**
Quality Control Cell	7.68	7.33	6.43	Saving was mainly due to non-filling up of vacant posts & delay in shifting of Quality Control Cell, Bengaluru.
Food Subsidy to DCP States	38000.00	38000.00	38000.00	Utilized in full.
Sugar Subsidy payable under PDS	200.00	300.00	300.00	Utilized in full.
Strengthening of PDS Operations	0	29.57	20.85	There are 3 components. Under generating awareness programme, 3 proposals received for release of Rs. 4.53 crore. However, none of the States conveyed its willingness to share 20% of expenditure on their proposal as per scheme guidelines. Hence fund could not be released. Assistance to State for State Food Commission could not be released as fund for the scheme was provided in 2nd Supplementary very late and due to lack of sufficient time procedural requirements for release of fund could not be completed. In respect of End-to-end Computerization component, expected proposal of Uttarakhand not received. Proposal of Telangana was not in order. Due to paucity of time only Rs. 2.50 lakh could be released to Gujarat under Training component.

Ways and Means advance payable to FCI	50000.00	50000.00	50000.00	Fully utilized as on 31.03.2018.

It may be seen from the above table that the major savings have occurred due to policy decisions of Ministry of Finance. The Department always pushes its utmost effort to keep the budget realistic and the expenditure is regularly monitored at the higher level vis-à-vis Monthly Expenditure Plan (MEP).

Action Taken in this regard

In the recent monthly review meeting held on 11.04.2018, Secretary (Food & PD), although satisfied by the status of expenditure till that date, has directed to speed up the expenditure and to strictly comply with the instruction of Ministry of Finance regarding Cash Management in the Central Government.

So far as withdrawal of the fund against sanctioned grant in respect of food subsidy to FCI is concerned, the matter has been addressed by Secretary (Food and PD) to Secretary (Economic Affairs) vide DO dated 18.05.2018.

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Recommendation (Para No. 3.8)

2.3 The Committee note that due to various efforts/interactions made by the Department to convince/persuade the remaining States/UTs to adopt the Decentralized Procurement Scheme (DCP), 17 States/UTs have so far adopted the -DCP Scheme. The Committee are, however, not happy that the DCP Scheme which was introduced way back in the year 1997-98 with the objective to ensure that MSP is passed in a focused way to the farmers, encourage procurement in non-traditional States thereby extending the benefits of MSP to local farmers and saves on transportation cost, have not been adopted by several remaining States/UTs after 20 years of introduction. The Committee, therefore, hope that the Department will make more concerted efforts to pro-actively engage the States/UTs and help them to resolve various issues/difficulties faced by these States/UTs to enable them to adopt the scheme at the earliest.

The Committee would also like to be apprised of the reasons for less procurement of wheat and rice during 2017-18 for Central Pool.

Reply of the Government

2.4 Government is making all out efforts for implementing the scheme in all the states & regular follow-up is being made with the non-DCP states to adopt the DCP mode. Currently 15 States/UTs have adopted DCP mode for procurement of paddy/rice and 8 States have adopted DCP Scheme for procurement of wheat. Since 2016-17 three States namely Maharashtra, Gujarat and Jharkhand (5 Districts) have adopted DCP mode for procurement of paddy/rice.

Further, request has been made by this Department to remaining major procuring non-DCP States i.e. Rajasthan, Uttar Pradesh, Jharkhand and Haryana to adopt the DCP System from time to time at the appropriate level. Government of Haryana denied adopting DCP System stating that Haryana is a surplus State and State procuring agencies have not enough storage capacity and have lack of quality. Hence State Government of Haryana is in a view that DCP Scheme may be restricted to foodgrains Deficit States. State Government of Rajasthan also requested to exempt it from DCP Scheme for procurement of wheat during RMS 2018-19 citing the reason of financial loss on account of arrangements due to low procurement. Jharkhand has adopted DCP mode for procurement of paddy/rice in one revenue Districts during KMS 2016-17 and for five revenue Districts during KMS 2017-18.

The procurement of wheat and rice for Central Pool during Marketing Season 2016-17 and 2017-18 is as under:

(Fig.in LMT)

KMS/RMS	**2016-17**	**2017-18**
Wheat	229.61	308.24
Rice	381.06	317.21#

Procurement during KMS 2017-18 is under progress. Data reported as on 18.04.2018.

As can be seen from above table, there has not been any decrease in procurement of wheat during RMS 2017-18 as compared to previous season. The procurement of wheat has gone upto a four year high of 308.24 LMT in RMS 2017-18 which is indicative of expanding outreach of procurement operations.

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Comments of the Committee

(Please see Para No.1.7 of Chapter -I of the Report)

Recommendation (Para No. 3.18)

2.5 The Committee note that Government is taking several measures/efforts to contain the food subsidy, such as Encouraging decentralized procurement and distribution of foodgrains; Issue of bonds by FCI at lower coupon rates, backed by Government guarantee; Improving the operational efficiency of FCI; Negotiating with the banks of the consortium of food credit to reduce the rate of interest on cash credit; Bringing in overall cost-effectiveness in the operation of FCI; Bringing down the level of surplus foodgrains stock through more liquidation under Open Market Sale Scheme and optimization of procurement through increasing market competitiveness etc. The Committee are, however, constrained to observe that the amount of food subsidy released to FCI has been constantly increasing over the years and BE of 2018-19 has now stood at Rs. 138123.00 crores against the Actual Expenditure of Rs. 104901.15 crores during the year 2017-18. The Committee are of the view that a saving of Rs. 6154 crore and Rs. 9153 crore during the year 2017-18 and 2018-19 respectively due to imposition of Goods and Services Tax (GST) is not sufficient achievement in containing food subsidy. The Committee, therefore, desire that the Department should make even more vigorous efforts to explore the possibility of containing food subsidy while ensuring regular supply and availability of subsidized foodgrains to the targeted beneficiaries under the National Food Security Act (NFSA)/Other Welfare Schemes (OWS) of the country.

Reply of the Government

2.6 States are allocated foodgrains at subsidized rates under national Food Security Act (NFSA) and other Welfare Schemes. Difference between Economic Cost and Central Issue Price (CIP) at which foodgrains are issued to States are reimbursed to FCI as subsidy. In case of States which have adopted Decentralized Procurement (DCP) Scheme, food subsidy is released to States by Government of India for quantity of food grains procured and distributed by them under NFSA and Other welfare schemes. Food subsidy is released to FCI & DCP States depending on the subsidy claims, amount of food subsidy found admissible, and the monthly/quarterly availability of budget.

Since 2004-05, the MSP of wheat has increased from Rs. 630 per quintal to Rs. 1735.00 per quintal in RMS 2018-19. Similarly MSP of paddy (Common) has increased from Rs. 560 per quintal to Rs. 1550 per quintal in KMS 2017-18. 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. With regard to rationalize expenses on incidentals, Department has introduced Policy of Usage Charges for packing of paddy. Further, all the expenses on procurement and distribution of foodgrains are being switched over to PFMS platform mandated by Ministry of Finance. Efforts for timely finalization of audited accounts of State Govt. are also being pursued.

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Comments of the Committee

(Please see Para No.1.10 of Chapter -I of the Report)

Recommendation (Para No. 3.42)

2.7 The Committee note that Public Distribution System (PDS) was evolved as a system of management of scarcity and for distribution of foodgrains at affordable prices. To strengthen the PDS operations, the Government is implementing the scheme of 'End-to-end Computerization of TPDS Operations' in collaboration with all the States/UTs under the 12th Five Year Plan (2012-17) and the scheme has been extended for two years i.e. upto March, 2019 with the approval of the competent authority without increasing the project cost. Under the Scheme of Computerization of TPDS Operations, Ration Card Digitization, Transparency Portal, Online Grievance Redressal and Toll Free Helpline Number have been reportedly completed in most of the States/UTs. However, the work relating to seeding of Aadhaar Card Number, online allocation and Supply Chain Automation are yet to be completed in many States/UTs, even though 81.86% of seeding of Aadhaar Card Number in Ration Cards is reported to be completed at the National level. Online allocation is stated to be pending in Arunachal Pradesh, Lakshadweep, Meghalaya and Nagaland due to power failure and network connectivity problem. The Committee desire that all pending works of Computerization of TPDS operations be expedited and completed at the earliest so that the challenges in TPDS operations in the country such as leakages and diversion of foodgrains, inclusion/exclusion errors, fake and bogus ration cards, lack of transparency, weak grievances redressal etc. are addressed to the extent possible.

Reply of the Government

2.8 The department is making vigorous efforts to complete all key activities under computerization scheme in all States/UTs. So far online allocation of foodgrains has been implemented in 30 States/UTs. It is also submitted that out of 36 States/UTs, 3 UTs i.e. Puducherry, Chandigarh and Dadra & Nagar Haveli (in urban areas) are transferring food subsidy into beneficiaries' bank account under the Direct Benefit Transfer (DBT) Scheme. Therefore, online allocation of foodgrains is not required in Puducherry and Chandigarh. Hence, online allocation is pending only in four States/UTs i.e. Arunachal Pradesh, Lakshadweep, Meghalaya and Nagaland. It is also submitted that Arunachal Pradesh has already developed application for Online Allocation, but it couldn't be made live due to connectivity and IT infrastructure related issues. Lakshadweep is also facing similar challenges while implementing online allocation. So far Supply Chain Automation has been completed in 21 States/UTs. Supply Chain Automation of PDS Operations is not required in 2 UTs, Puducherry and Chandigarh due to implementation of Direct Benefit Transfer Scheme. Further, due to geographical difficulties and network connectivity issues, UT of Lakshadweep has been exempted for Supply Chain Management. Hence, Supply Chain Automation is pending in 12 States/UTs i.e. Arunachal Pradesh, Assam, Jammu & Kashmir, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Sikkim, Rajasthan and Uttarakhand. This Department had meeting with all States/UTs and asked them to expedite and complete all key activities under computerization scheme at the earliest and accordingly NIC has also been asked to provide necessary technical assistance to these States for completing pending activities. At present, overall Aadhar seeding in Ration Cards has reached to 82.68% at the National level. Department has prepared and issued guidelines/ best practices for increasing Aadhar Seeding and validating Aadhar numbers. Progress of Aadhar seeding in North Eastern States is slow mainly due to poor/negligible Aadhar generation in Assam and Meghalaya. Further, in West Bengal ration cards are issued on individual basis. As informed by State Government of West Bengal, 6.02 Crore individual ration cards in the State correspond to 1.48 crore households. Accounting for these, i.e. by excluding Assam and Meghalaya and taking the number of beneficiary households in West Bengal, the effective Aadhar seeding is about 90.47%, where Aadhar of at least one member of the ration card/household is seeded.

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Comments of the Committee

(Please see Para No.1.16 of Chapter -I of the Report)

Recommendation (Para No. 3.43)

2.9 The Committee appreciate that the Government has taken several initiatives such as Direct Benefit Transfer (DBT) (Cash Transfer) of food subsidy, DBT (in kind) distribution of subsidized foodgrains including a new scheme viz. Integrated Management of PDS (IM-PDS) to establish PDS Network (PDSN) to implement national level portability, Central Data Repository and Central Monitoring System of PDS Operations. The Committee hope that proper implementation of these initiatives will enable PDS beneficiaries to lift entitled foodgrains from any shop in the State where ePoS device has been installed. The Committee, therefore, urge the Department to make all out efforts to ensure that all these initiatives are implemented in all the States/UTs. The Department shall also seriously look into the challenges faced by some States/UTs regarding network connectivity and power failure by providing financial as well as technical assistance to these States/UTs.

Action taken by the Government

2.10 This Department has approved the new scheme on Integrated Management of Public Distribution System (IM-PDS) to be implemented during FY 2018-19 and FY 2019-20 with total budget outlay of Rs. 127.30 Crore. This Department has already conveyed Administrative approval for the Scheme to all States/UTs and NIC vide letter dated 5th April, 2018. Empowered Committee (EC) has been re-constituted under the Chairmanship of Secretary (FPD) for “End-to-End Computerization of TPDS Operations” and “Integrated Management of Public Distribution System (IM-PDS)”. NIC being technical partner for implementation of IM-PDS scheme has been requested to prepare a Standard Operating Procedure (SOP) for implementation of Portability and National Level De-duplication of ration cards/beneficiaries in consultation with identified States and share the requirement of hardware/servers and technical resources for implementation of the project. NIC has submitted the MOU to be signed with DFPD and the same is under consideration. The proposal for hiring of manpower for implementation of IM-PDS by NIC has been examined and IFD has concurred the proposal for release of an amount of Rs. 1,78,25,353/- subject to furnishing MoU and Indemnity Bond by NICSI. All the States/UTs have been requested to submit the proposal/MOU to be signed with the Department for implementation of the IM-PDS scheme.

Implementation of IM-PDS will enable national level portability of foodgrains entitlements. Portability of entitlements within State is already being implemented in Andhra Pradesh, Haryana, Telangana, Maharashtra, Kerala, Karnataka, and Rajasthan (intra-District) and partially in Chhattisgarh, Madhya Pradesh and Tripura.

The scheme of cash transfer of food subsidy is implemented as per provisions of the Cash Transfer of Food Subsidy Rules, 2015, notified under the National Food Security Act. As per these Rules, the scheme of cash transfer can be implemented in identified areas, subject to fulfillment of certain conditions regarding preparedness for its implementation. Identified areas is defined under the Rules as a State or UT or any specified area within the State or UT, for which there is written consent of the state government for implementation of the scheme, It is therefore upto State Governments/UT Administrations to implement the cash transfer of food subsidy scheme or continue with distribution of foodgrains through fair price shops. In the UTs of Chandigarh, Puducherry and urban areas of Dadra & Nagar Haveli, NFSA is being implemented in cash transfer mode under which cash equivalent of subsidy is being transferred directly into the Bank accounts of eligible households to enable them to purchase foodgrains from open market.

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Comments of the Committee

(Please see Para No.1.19 of Chapter -I of the Report)

Recommendation (Para No. 4.17)

2.11 The Committee note that percentage utilization of covered owned storage capacity of FCI is 64% whereas percentage utilization of covered/hired storage capacity is 85%. While not fully utilizing its owned storage capacity, the FCI has incurred an expenditure of Rs 5611.76 Cr during last three years for hiring godowns form private agencies. The Committee are of the view that proper utilization of owned capacity before resorting to hiring godowns from private agencies is desirable as it would save avoidable expenditure of precious funds. The Committee, therefore, recommend that FCI should re-assess their requirement of storage space and utilize their owned capacity to the maximum before hiring of storage space.

Reply of the Government

2.12 Considering the operational difficulties under which FCI has to operate, Bureau of Industrial Costs and Pricing (BICP) now merged with Tariff Commission has prescribed the storage capacity utilization norm of the godowns to be 75 %. However, for better utilization of the storage capacity and considering higher stock levels, capacity utilization norm of 80% has been considered optimum.

FCI's covered owned capacity is 128.38 LMT and covered hired capacity is 205.75 LMT. Average utilization of FCI's owned capacity during the last 3 years is 62% varying from 48% to 73%.

The utilization of owned storage capacity remains low due to various reasons such as inoperative capacity. Capacity remains inoperative due to the following reasons:

a. <u>Non-utilization of FCI's owned silos</u>: FCI has its own silos in various parts of the country constructed in 1960s and 1970s. These are mostly RCC bins and have become non operative over the years.

b. <u>Land acquired by Railways/State Government</u>: Railways and State Governments have acquired land in FCI godowns in many places for various projects such as Railway corridors, highways and Public sector units.

c. <u>Labour disputes/Court cases</u>: Some of the depots are not being operated due to dispute/Court cases with labour.

d. <u>Under Repair/Maintenance</u>: Some of the capacities remain under repair. Maintenance of Railway siding in the siding depots also rendered these depots inoperative for some time. A sizable capacity is inoperative in West Bengal due to these reasons.

e. <u>Zero Physical Verification (PV):</u> Zero PV was started in the year 2013 in FCI to check variations in the stock in depots. Depots are selected taking into consideration various operational parameters like consistent abnormal storage/transit losses/shortages detected during regular PV or by Squads etc. on quarterly basis to arrive at the actual stock holding and resultant loss. The process involves stopping of induction of the stocks and liquidation of the stocks in overriding priority by making the stock level ‘Zero’ in the selected depots.

FCI’s owned operative capacity is utilized to the maximum extent possible before hiring capacities and the hired capacities are de-hired when not required. However, capacity hired under guarantee scheme cannot be de-hired during the guarantee period.

Capacity constructed under Private Entrepreneurs Guarantee (PEG) Scheme is hired by FCI for a guaranteed period of 10 years in case of Private investors and 9 years in case of CWC/SWCs/Other St. Agencies. Thus, maximum utilization of capacity hired under PEG scheme is necessary in which rental/operational cost is also lower than owned capacity. However, other hired capacities have been dehired by FCI. The details of storage capacity with FCI during the last three years and current year are as given below:

(figures in Lakh MT)

As on	**Hired under PEG Scheme**	**Hired other than PEG**	**Total**
31.03.2015	85.67	116.35	202.02
31.03.2016	98.21	105.59	203.8
31.03.2017	100.23	98.27	198.5
28.02.2018	103.76	101.99	205.75

It may be seen that capacity hired under PEG has increased by 18.09 LMT and hired capacity other than PEG has been de-hired by 14.36 LMT.

As far as the lower utilization of owned capacity as compared to the hired capacity is concerned it may please be noted that this is a rather natural phenomenon due to the following reasons:

- The storage capacity is hired only when there is absolute necessity of the same which becomes all the more reason for it to be fully/more utilized.
- The owned capacity once constructed at a particular place/location cannot be shifted if the same is required at a different location due to changed procurement pattern or change in off take of foodgrains on account of consumer preference etc. whereas the hired capacity can be de hired and re hired as per the requirement making its utilization more than the owned capacity.

- Owned capacities are created at certain remote/hill areas also keeping in view the regional requirements where private parties do not come forward to offer hired capacity. Higher utilization of capacity in such places is not possible due to various factors such as difficult terrain, improper infrastructure, climatic conditions, limitation of railways/other transportation facilities etc. Examples of the same are North Eastern Zone, Himachal Pradesh, Jammu & Kashmir etc.

- Many a times hired capacity is taken on Actual Utilization Basis (AUB) where the capacity hired is shown equal to stock stored there in making the capacity utilization 100% thereby increasing the overall capacity utilization of hired capacity as compared to owned capacity.

- Some part of the owned capacity remains under repair and maintenance resulting in overall less utilization as compared to hired capacity because the hired capacity is taken only when it is fully storage worthy.

- Often it is not cost effective to undertake long distance transportation and double handling of food grains just to ensure utilization of FCI vacant space at far off places in place of hiring the fresh storage space at the place where it is required because of proximity to the procurement or consumption centres.

FCI tries to ensure optimum utilization of its existing capacity. Adequate checks and balances are in place in the form of Internal Audit and CAG audit so as to ensure proper utilization of available capacity whether owned or hired and to ensure that no infructuous expenditure is made on account of rental charges by hiring the godowns unnecessarily. Monitoring and review of capacity utilization is also carried out by Regional Offices/ Zonal Offices/FCI HQs. to ensure optimum utilization of storage capacity and to minimize the cost of storage.

In order to assess the storage requirement in the country a study has been conducted by FCI trough a private party M/s Price Waterhouse Coopers (PWC). The report has been submitted by M/s PWC to FCI and is under examination in FCI.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/05/2018-AC Dated the 6th June, 2018]

Recommendation (Para No. 4.24)

2.13 The Committee are constrained to point out that despite various measures taken by FCI to curb losses of foodgrains on storage and transit, the value of foodgrains lost by FCI during the year 2017-18 continue to be as high as Rs 13.14 Cr and Rs 206.64 Cr on account of storage and transit losses respectively. The steps so far taken by FCI to prevent storage and transit losses of foodgrains are not adequate and effective. The Committee also desire that besides installation of CCTV cameras in all FCI godowns, the number of regular inspections/surprise checks may be increased which will result in reduction of transit and pilferage losses of foodgrains.

Action taken by the Government

2.14 FCI is making continuous efforts to bring down the losses as a result of which the storage losses and transit losses have come down from Rs 113.78 Cr and Rs 506.48 Cr in the year 2014- 15 to Rs 13.14 Cr and Rs. 206.64 crore in 2017-18 (upto December, 2017) respectively. Keeping in view the benefits of silos utilization in storage, Government of India has already approved an action plan/road map for construction of 100 LMT capacity silos by FCI, CWC and State Governments/Agencies by 2020. Under the action plan/road map, work has been awarded for total 38.50 LMT capacity while work has been completed for 6.25 LMT capacity from 2016-17 to 2017-18.

CCTV cameras have been installed in all the FCI owned depots except in one depot wherein the installation is likely to be completed soon.

FCI conducts fortnightly inspection to know the condition of stock at depot level, monthly and quarterly inspections to check the working of staff, the condition of stocks by manager level officers and quality of stocks being procured by manager level and Asst. General Manager level officers, monthly inspection of some depots by the senior level officers like Executive Directors (EDs) & General Managers (GMs). In addition to this, surprise checks are also conducted by ED level, GM level officers, vigilance squads and audit teams reviewing all the operations in the depots. Periodical (Quarterly & Annual) Physical Verifications of the stocks are also carried out to find out any misappropriation of the stocks.

Further, FCI usually moves food grains stocks from surplus states to deficit states through conventional railway wagons. A quantity of 351.48 lakh MTs of food grains which constitute 11983 railway rakes were moved in the year 2017-18.

FCI started containerized movement of food grains on certain routes through CONCOR/ Associates wherein it is found to be economical in comparison to conventional Railway rakes in the year 2016-17. After making a trial in the month of August 2016, 12 more such containerized rakes were moved with a total quantity of 0.28 lakh MT in the year 2016-17. In the year 2017-18, 134 containerized rakes were moved with a quantity of 2.68 lakh MT. Up to March 2018 the average Transit loss incurred was only 0.08% in containerized movement whereas it was around 0.32% in conventional movement through railway wagons. Till now the containerized movement has been taken up through Container Corporation of India. Main limitation in this type of movement is availability of terminals that handle the containers in the locations suitable for FCI. Efforts are being made to increase the stake of containerized movement in the current financial year by appointing private service providers. This will help in curtailing the Transit Losses.

Further it is to inform that FCI has implemented Depot Online System to automate, facilitate and effectively manage its depot level operations in all the FCI depots. Depot Online System will help in tracking and controlling the procurement, storage and movement of food grains within a depot by managing all associated transactions like Lorry Weigh Bridge, Quality control, Storage Loss / Transit Loss, Gunny inventory, Labour management etc. Real time monitoring of movement of stocks would help in reducing transit Losses.

However, the recommendation of the Committee regarding increasing of regular and surprise inspections has been noted for compliance by FCI.

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Recommendation (Para No. 4.28)

2.15 The Committee note that several preventive vigilance measures in respect of procurement, storage and contracts, transportation/movement, distribution including labour related and finance have been taken by the Government. Despite these preventive measures, 614 corruption cases have been registered as on 31.12.2017. The Committee are of the view that various preventive measures indicated by the Ministry do not have the desired effect to curb the corruption. The Committee also feel that inordinate delay in disposal of cases further encourage the corrupt practices. The Committee, therefore, recommends that the Department should strictly enforce various preventive measures initiated by them and also to dispose the corruption cases speedily so that the corrupt practices could be curbed to the barest minimum.

Action taken by the Government

2.16 Department of Food & PD has taken a note of the observation of Hon'ble Standing Committee that despite several preventive vigilance measures in respect of procurement, storage and contracts, etc. there is still scope of further measures to be taken in this regard. DFPD on its part has taken further steps to expedite disposal of vigilance cases:

(i) A mechanism has been put in place wherein Chief Vigilance Officer, DFPD regularly reviews all vigilance matters of DFPD, FCI, CWC and CRWC.

(ii) The vigilance cases are reviewed at the level of Secretary (F&PD) on quarterly basis.

(iii) Directions have been given to ensure that no Vigilance/ Disciplinary case is pending for more than a year in the organization; and

(iv) Liaising with the Central Vigilance Commission has also been improved for quick disposal of cases.

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Recommendation (Para No. 5.11)

2.17 The Committee note that in order to facilitate sugar mills to clear cane price arrears, the Government has taken several measures such as providing incentive for exporting raw sugar, fixing of remunerative price for supplies of ethanol to Oil Marketing Companies (OMCs), extending loans to sugar mills with interest subvention @10% per annum etc. However, there is outstanding huge cane price arrears to the tune of Rs. 11269.25 crore, Rs. 1064.12 crore and Rs. 1686.14 crore pending for the sugar season 2017-18, 2016-17 and 2015-16 respectively, despite the fact that cane price are supposed to be paid withing 14 days of supply of cane. The long outstanding cane price arrears is a matter of serious concern. It is also imperative to protect the interest of farmers so that they continue to cultivate sugarcane. The Committee also note that for the current season 2017-18, Government has fixed remunerative price of ethanol for supply under Ethanol Blending Programme (EBP) at Rs. 40.85 per litre, which will facilitate the industry to minimize cane price arrears of farmers. While appreciation the various steps taken by the Department to bring down the cane price arrears, the Committee urge the Department of Food and Public Distribution to strongly prevail upon the State Govts./ sugar mills to take steps to clear all outstanding cane price arrears at the earliest in the interest of the cane farmers. The action taken in this regard be apprised to the Committee.

Action taken by the Government

2.17 In order to stabilize sugar prices at reasonable level to improve liquidity of mills thereby enabling them to clear cane price dues of farmers, Central Government has taken following steps in the current sugar season:

(a) Increased customs duty on import of sugar from 50% to 100% to check any import to the country.

(b) Imposed stock holding limits on producers of sugar for the months of February and March, 2018 to stabilize domestic sugar price.

(c) Withdrawn Customs duty on export of sugar to encourage sugar industry to start exploring possibility of export of sugar.

(d) Allocated mill-wise Minimum Indicative Export Quotas (MIEQ) of 20 LMT of sugar for export during sugar season 2017-18.

(e) Re-introduced Duty Free Import Authorization (DFIA) Scheme in respect of sugar to facilitate and incentivize export of surplus sugar by sugar mills.

(f) Extended financial assistance to sugar mills @ Rs.5.50/qtl of cane crushed during 2017-18 sugar season to offset the cost of cane.

The Central Government is continuously taking up the matter with respective State Government/Union Territory Administrations for clearance of cane price arrears.

Due to the efforts of the Government, as on 12.04.2018 out of total payable amount of Rs. 67930 crores for sugar season 2017-18, Rs. 50958 crores (75%) has been paid to the farmers and the season is still in progress. Further as on 12.04.2018 cane price arrears of 2016-17 have been reduced to Rs. 575 crores, for 2015-16 to Rs. 697 crores and for 2014-15 and earlier to Rs. 966 crores.

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Comments of the Committee

(Please see Para No.1.28 of Chapter -I of the Report)

CHAPTER III

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

Recommendation (Para No. 4.13)

3.1 The Committee note that with a view to keeping the establishment cost of FCI to its barest minimum, the government has reduced the sanctioned strength of FCI employees. The establishment cost of FCI, however has increased to Rs.3217 crore in 2017-18 from Rs.2584 crore in 2016-17. Thus, the establishment cost of FCI continues to increase despite the Committee's earlier recommendation to reduce it. The Committee feel that their considered advice has not been honoured and, therefore, reiterate that the FCI should take concrete measures to bring down the establishment cost. The Committee further strongly recommend that ways and means should be devised to contain the establishment cost so as to save fund and let the benefit of food subsidy percolate down to ultimate beneficiary i.e. the poor people by minimizing the Food Subsidy Bill.

Reply of the Government

3.2 The Govt. of India has reduced the sanctioned strength of FCI from 55,045 to 42,038. Since 2010, the staff strength of FCI has drastically reduced, due to large scale retirement from 2012 to 2015. At present, the men in position are 22,732 as against sanctioned strength of 42,038.

The Govt. has approved the Contributory Pension Scheme of FCI, retrospectively, from 1st December, 2008, as a result, the arrear payment of the last 8 years were paid in both 2016-17 and 2017-18. The Govt. has also approved the proposal of FCI's Post-Retirement Medical Scheme (PRMS) w.e.f 2016-17 which has annual financial implication of about Rs 50 crore.

In the year 2016-17, there was a plan to recruit 9,295 employees, through direct recruitment process. It was expected to materialise towards the end of the year 2016-17. As a result, its maximum financial impact was considered in the year 2017-18 (BE). The increase of Establishment Cost in 2017-18 (BE) over 2016-17 (RE) is primarily due to this direct recruitment.

Though the sanctioned strength was reduced drastically by the Govt. of India, the vacant posts are being filled through direct recruitment process in a gradual manner. Therefore, the Establishment Cost as shown in these two years has shown rise based on actual recruitment. However, the total Establishment Cost, as a percentage of the turnover of FCI, is substantially low. A Table containing the turnover of FCI's Establishment Cost for the past years and percentage of Establishment Cost to the turnover is given as under:

(Fig in Crores)

S.No.	**Year**		**2014-15**	**2015-16**	**2016-17**
(i)	Establishment Cost		2034	1749	2485
(ii)	% Variation over previous year		-	-14%	42%
(iii)	Arrears Component in (i) above		0	0	717
(iv)	Establishment Cost excluding arrear component (i)-(iii)		2034	1749	1768
(v)	% Variation over previous year		-	-14%	1%
(vi)	Employee Strength (Man in Position)		23218	21047	23221
(vii)	Turnover of the corporation		134762	131694	131053
(viii)	Establishment Cost as a %age of turnover (%)	w.r.t to (i)	1.51	1.33	1.90
		w.r.t to (iv)	1.51	1.33	1.35

Comparison of Turnover of Stock and Employee Productivity for the last 10 years i.e., from 2007-08 to 2016-17 has shown efficiency of the Corporation which is as under:

Turnover of stock

Financial Year	**Number of employees**	**Turnover of stock (in Lakh MT)**
2007-08	39361	639
2008-09	36566	683
2009-10	33473	771
2010-11	30656	882
1011-12	29434	988
2012-13	26716	1114
2013-14	22480	1037
2014-15	23218	987
2015-16	21047	1004
2016-17	23221	934

As could be seen from the above that the turnover of stock during 2007-08 was 639 Lakh MT which has increased to 934 Lakh MT whereas staff strength has reduced from 39,361 during 2007-08 to 23,221 during 2016-17.

Employee Productivity

Financial Year	**Number of employees**	**Turnover per employee (per MT)**
2007-08	39361	1623.4
2008-09	36566	1867.9
2009-10	33473	2303.3
2010-11	30656	2877.1
1011-12	29434	3356.7
2012-13	26716	4169.8
2013-14	22480	4613
2014-15	23218	4251
2015-16	21047	4770.3
2016-17	23221	4023.1

As could be seen from the above that the turnover of stock during 2007-08 was 1623.4 MT per employee which has increased to 4023.1 MT per employee.

In view of the above facts, it is requested to consider the efforts of FCI in controlling the Establishment Cost as compared to the magnitude of operations undertaken by FCI.

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CHAPTER IV

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

Recommendation (Para No. 3.26)

4.1 The committee note that the Hill Transport subsidy scheme (HTS) that was operational since 1975 and applicable to the States of Himachal Pradesh, J&K, Andaman Nicobar Islands, Sikkim, Lakshadweep and six North Eastern States excluding Assam has now been discontinued w.e.f. 1-4-2017. They regret to observe that an amount of Rs. 2101.56 lakhs is still outstanding for payment to the States of Himachal Pradesh and Mizoram and in some cases, the claims are pending since the year 2006-07 and the Govt have not cleared the outstanding claims before discontinuing the scheme. The committee, therefore, desire that all outstanding claims of HTS Scheme be liquidated at the earliest under the NFSA,2013 keeping in view the fact that the HTS Scheme has since been discontinued.

Reply of the Government

4.2 As on 31-03-2018, bills amounting to Rs.2038.37 lakhs are pending with FCI in respect of State of Mizoram (Rs.1139.10 Lakhs) and Himachal Pradesh (Rs. 899.27 Lakhs).

As regards the state of Mizoram, pending bills amounting to Rs. 1139.1 lakhs of State Govt. of Mizoram against the period 2011-12 to 2013-14 are due to non authentication of the Fund Flow Statement required to be enclosed to the HTS bills by the Treasury Officer of the State. State Govt. of Mizoram has stated that since the year 2009, payment to carrying contractors have been made through Office's bank account and there is no Treasury Officer function on actual payment of transportation cost to the carrying contractors and the concerned Treasury Officer cannot confirm the actual flow to the contractors. However, FCI Hqrs has issued instructions to concerned Regional office of FCI for clearing of bills at the earliest and it has been informed by the Regional office on 25-04-2018 that the pending bills will be processed within next 15 days and payment would be made, if found in order.

For Himachal Pradesh, HTS bills are pending for enroute destinations, which are not covered under HTS for H.P. State Govt has requested this ministry for relaxation in HTS guidelines so that reimbursement of HTS bills for enroute destinations in the State could be ensured. Ministry has received FCI's proposal on the matter & the proposal is currently being examined w.r.t financial implications & genuiness.

As per D/o Food & PD's earlier instruction, a Committee headed by DGM, RO, Assam was formed and the Committee has already hold several meetings with the State Govt. representatives.

The State Governments have been repeatedly informed to submit the HTS bills in the prescribed Performa. But they are yet to submit the HTS bills in the prescribed Performa to resolve the issue.

However, a meeting was also held on 11.04.2018 under the Chairmanship of Joint Secretary (P&FCI) on this issue and it was decided that FCI will take requisite action to clear the pending bills before 30.04.2018. FCI was also directed to direct all concerned EDs to organize meetings with these States to resolve the HTS issue.

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Comments of the Committee

(Please see Para No.1.13 of Chapter -I of the Report)

CHAPTER V

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

Recommendation (Para No. 4.11)

5.1 The Committee note that re-structuring of FCI Capital has been proposed in Budget 2018-19 to enhance equity and to raise long term debt for meeting its working capital requirement. The Ministry of Financed has accordingly decided that the capital requirement for holding the Stocks shall be pegged at Rs 50,000 crore of which Rs.45,000 crore shall be financed through borrowed capital and Rs.5,000 crore through equity infusion. The equity of Rs.5000 crore will be infused in FCI over 2 years. Further, the FCI shall raise Rs 32,000 crore through Government guaranteed bonds. The committee hopes that with the infusion of more capital, the FCI which is the Government's nodal agency for procurement and distribution of foodgrains, would be able to improve performing its mandate while discharging its functions.

Reply of the Government

5.2 As per decision taken in meeting held on 11.01.2018 in DEA, the following proposals have been sent to DEA vide I.D. No.11019/1/2017-FC-II/III dated 16.03.2018:

a. Equity infusion in 2018-19 = Rs.2500 crore;

b. Equity infusion in 2019-20 = Rs.2500 crore;

c. Enhance the authorized equity capital to Rs.10,000 crore from existing level of Rs.3500 crore before equity infusion.

d. Permit FCI to raise Government Guaranteed Long Term Bonds for Rs32,000 crore as follows:-

2018-19 = Rs.8,000 crore
2019-20 = Rs.8,000 crore
2020-21 = Rs.8,000 crore
2021-22 = Rs.8,000 crore

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Comments of the Committee

(Please see Para No.1.22 of Chapter -I of the Report)

Recommendation (Para No. 4.12)

5.3 The Committee are of the view that outstanding dues to FCI from various Central Ministries are very high. The outstanding dues of FCI from the Ministry of Rural Development against the foodgrains supplied under Samporan Gramin Rojgar Yojana (SGRY) Schemes upto 31.03.2008 is Rs. 2452.96 crore, the Ministry of Human Resource Development against foodgrains supplied under Mid Day Meal (MDM) Scheme as on 31.12.2017 is Rs. 248.87 crore and the Ministry of External Affairs against wheat issued to World Food Programme (WFP) for supply of fortified biscuits to Afghanistan under Government of India's donation to Afghanistan till date is Rs. 47.99 crores. The Committee are of the view that since interest accrued on account of delayed payment is also loaded on food subsidy bill of the Government which is already high. The Committee, therefore, urge the Department/FCI to take steps for expeditious settlement of outstanding dues from the various Central Ministries not only to prevent undue burden on Food Subsidy Bill but also to utilize the funds for some important development schemes of the government.

Reply of the Government

5.2 In this regard it is informed that the matter is being taken up in the Department and recently a meeting was also held on 16.03.2018 at Krishi Bhawan, New Delhi under the Chairmanship of Secretary (Food) to clear the dues of other Ministries. The matter is also being followed with the concerned Ministries to clear the FCI's dues.

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Comments of the Committee

(Please see Para No.1.25 of Chapter -I of the Report)

NEW DELHI;
25 July, 2018
3, Shravana 1940(Saka)

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

APPENDIX I

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2017-18) HELD ON WEDNESDAY, 25 JULY, 2018

The Committee sat from 1500 hrs. to 1530 hrs. in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri J.C. Divakar Reddy - Chairperson

Members

Lok Sabha

2. Shri R.K.Bharathimohan
3. Shri Babu Lal Chaudhary
4. Shri Sukhbir Singh Jaunpuriya
5. Shri Bhagwant Khuba
6. Shri Dharmendra Kumar
7. Shri Ravinder Kushwaha
8. Smt. Priyanka Singh Rawat
9. Shri Bhola Singh
10. Shri Nandi Yellaiah

Rajya Sabha

11. Shri Ripun Bora
12. Shri B. Lingaiah Yadav

SECRETARIAT

1. Shri Lovekesh Kumar Sharma - Director
2. Shri Khakhai Zou - Additional Director

2. At the outset, Hon'ble Chairperson welcomed the Members to the sitting of the Committee convened for consideration and adoption of the Draft Reports on Action Taken by the Government on the observations/recommendations contained in the 20th and 21st Reports of the Committee on Demands for Grants (2018-19) of the Ministry of Consumer Affairs, Food and Public Distribution pertaining to the (i) Department of Food and Public Distribution, and (ii) Department of Consumer Affairs respectively. He also took the opportunity of welcoming three new members from Rajya Sabha viz. Shri Subhasish Chakraborty, MP, Shri Sakaldeep Rajbhar, MP and Shri B. Lingaiah Yadav, MP who have recently been nominated to the Committee.

3. Thereafter the Committee took up for consideration the Draft Reports. After due deliberations, the Committee unanimously adopted the said two Action Taken Reports without any amendment/modification.

4. The Committee then authorized the Chairperson to finalize the aforesaid Draft Reports and present the same to Parliament in the current Monsson Session of Parliament.

5. The Committee also discussed to undertake an on-the-spot Study Visit either to Punjab and Rajasthan or Madhya Pradesh and Odisa during the month of August, 2018. After due deliberation, the Committee decided to visit some of the places in Rajasthan and Punjab.

The Committee then adjourned.

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APPENDIX II

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

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTIETH REPORT OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2017-18)

(SIXTEENTH LOK SABHA)

(i) Total number of Recommendations: 13

(ii) Observations/Recommendations which have been accepted by the Government :

Para Nos. .:- 2.10, 3.8, 3.18, 3.42, 3.43, 4.17, 4.24, 4.28 and 5.11

(Chapter – II, Total -9)

Percentage : 69.23%

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

Para No. 4.13

(Chapter – III, Total - 1)

Percentage : 7.69%

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

Para No. 3.26

(Chapter – IV, Total -1)

Percentage : 7.69%

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

Para No.:- 4.11 and 4.12

(Chapter – V, Total - 2)

Percentage : 15.39%