

## EXECUTIVE SUMMARY

### CONSTITUTION OF CENTRAL VIGILANCE COMMITTEE ON PUBLIC DISTRIBUTION SYSTEM AND ITS CHARTER

The Hon'ble Supreme Court of India, in a Writ Petition No. (C). 196 of 2001, passed an order constituting a Committee to be headed by Hon'ble Mr. Justice D. P. Wadhwa, Former Judge, Supreme Court of India, to look into the maladies affecting the proper functioning of the public distribution system ("PDS") and to suggest remedial measures. In particular, the Committee was directed to focus on:

- (a) The mode of appointment of dealers;
- (b) The ideal commission or the rates payable to the dealers;
- (c) Modalities as to how the Committees already in place, can function better;  
and
- (d) Modes as to how there can be transparency in allotment of the food stock to be sold at the shops.

The Hon'ble Court further directed that while dealing with the question of the mode of appointment, the Committee shall also suggest a transparent mode of selection of the dealers. The Committee was also directed to indicate as to how more effective action can be taken on the report of the vigilance committees already appointed.

The Hon'ble Court's direction was initially given for the Government of Delhi to be followed on an all India basis.

The constitution of the Committee was notified on 01/12/2006. The Committee, pursuant to the Hon'ble Court's order commenced its work in right earnest. It held a series of meetings with all the stake holders, invited

representations/petitions from members of the public, visited fair price shops godowns of the Food Corporation of India ("FCI") to examine their functioning, held consultations with the officers of the Department of Food, Civil Supplies and Consumer Affairs ("Department"), Food Corporation of India, Delhi State Civil Supplies Corporation ("DSCSC"), National Informatics Centre (NIC), Delhi State Election Commission, individuals connected with NGO's, and representatives of FPS dealers associations. The Committee also examined official records connected with the items falling within the mandate given to it. By a further order dated 17/04/2007, the Hon'ble Court was pleased to extend the time for submission of the report till 31/08/2007.

Based on the work done by the Committee and in compliance with the Hon'ble Court's order, a detailed report covering all issues tasked to the Committee is being submitted. The Report is divided into three parts. Part I is an executive summary of the Report. Part II contains the main body of the Report and examines each of the issues, duly chapterized at length, identifying the weaknesses in the existing PDS and makes detailed recommendations for toning up and streamlining its functioning in Delhi. Part III contains relevant documents annexed to the Report.

The full forms of certain abbreviations, which have been used repeatedly throughout the Report are given below for the sake of convenience:

1. APL : Above Poverty Line
2. BPL : Below Poverty Line
3. AAY : Antodaya Anna Yojana
4. TPDS : Targeted Public Distribution System

5. FPS : Fair Price Shop

6. SFA's : Specified Food Articles (issued under the PDS)

The important recommendations under each of the chapters contained in Part II of the Report are summarized herein under:

1. **LEGAL REGIME**

1.1. In the chapter dealing with the Legal Regime the existing provisions governing the PDS, that is to say, the Essential Commodities Act, 1955, the Delhi Specified Articles (Regulation of Distribution) Order 1981, the PDS (Control) Order 2001 (as amended in 2004), , and the relevant notifications and circulars which govern the implementation of the said Act and the PDS (Control) Order, 2001 in Delhi are detailed. This chapter is intended to be a ready reckoner which would help in appreciating the other chapters wherein relevant clauses of the PDS (Control) Order 2001, notifications and circulars are dealt with in detail.

2. APPOINTMENT OF DEALERS OF FAIR PRICE SHOPS (FPS)

2.1. This chapter discusses at length the existing guidelines for allotment of FPS licenses and the modifications introduced in these guidelines from time to time, *inter-alia*, highlighting eligibility conditions in respect of applicants, shop premises, time frame prescribed for completion of the selection process and the procedure for renewal of FPS. This chapter also incorporates the Committee's findings on how the existing instructions and provisions of the PDS (Control) Order, 2001 are being violated with impunity by FPS licencees due to laxity or complicity on the part of the officials who are required to monitor the functioning of the FPSs. This chapter also deals with the Committee's findings that were arrived at pursuant to the perusal of some of the files pertaining to allotment of licencees of FPS. The chapter provides instances of blatant violation of norms in allotment of FPS and reveals extraneous considerations come into play in such cases, resulting in some FPS having ration cards in

excess of the norm of 1000 ration cards per FPS and some FPS having ration cards much less than the said norm, which in turn, affects their viability.

2.2. The broad recommendations of the Committee include:

- (a) consolidation of the existing guidelines and giving them due publicity through press and on the web site of the Department for information of general public;
- (b) compression of the time involved in completion of the selection process from the existing 56 days to 42 days;
- (c) requirement of being a resident of the concerned circle where the FPS vacancy has arisen should be substituted with the requirement of being resident of the locality for which vacancy is notified;
- (d) adherence to the Department's guidelines dated 29.8.1997 stipulating creation of a vacancy only when there are 1000 cards available to be attached to an FPS;
- (e) allotting of new vacancies for a FPS to cooperative societies or women self help groups.

### 3. **VIABILITY OF FAIR PRICE SHOPS**

3.1. The Committee examined in depth the question of viability of FPS's, which is closely linked with the issue of the rate of commission to be paid to FPS dealers. The Committee discussed this issue threadbare with the licencees of FPS, their associations, representatives of NGOs, government officials and also invited suggestions from various sections of society. The findings and recommendations of the Committee are contained in this Chapter 3 are summarized as under:

3.2. The following table graphically shows the commission rates earned by FPS licencees under the extant orders governing the sale of wheat and rice to the Above Poverty Line (APL), Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) beneficiaries.

<b>Category</b>	<b>Cost Price per Quintal</b>	<b>Selling Price per Quintal</b>	<b>Difference B/w Cost Price and Selling Price</b>	<b>Cartage paid to DSCSC per Quintal</b>	<b>Commission per Quintal paid to FPS</b>
APL Wheat	Rs. 610/-	Rs. 680	Rs. 70/-	Rs. 35/-	Rs. 35/-
APL Rice	Rs. 830/-	RS. 900	Rs. 70/-	Rs. 35/-	Rs. 35/-
BPL Wheat	Rs. 415/-	Rs. 465	Rs. 50/-	Rs. 15/-	Rs 35/-
BPL Rice	Rs. 565/-	Rs. 615/-	Rs. 50/-	Rs 15/-	Rs. 35/-
AAY Wheat	Rs. 200/-	Rs. 200/-	Nil	Rs. 15/- paid to DSCSC by Delhi Government	Rs. 35/- paid to FPS by Delhi Government
AAY Rice	Rs. 300/-	Rs. 300/-	Nil	Rs. 15/- paid to DSCSC by Delhi Government	Rs. 35/- paid to FPS by Delhi Government

3.3. Keeping in view the existing guidelines of the Department requiring 1000 food cards to be attached to an FPS unit and assuming full off take of wheat and rice as per entitlement (25 kgs of wheat and 10 kgs of rice per month) of each category of card holder subject to the condition of the FPS unit getting its full allocation, a FPS owner would earn Rs. 15,750/- per month. This amount includes income derived from the sale of gunny bags at the rate of Rs. 5 per bag. However, this income projection changes to

the FPS owner's disadvantage if there is a reduced allocation as is currently the position. While there is 100 per cent allocation in BPL category, allocation under APL category works out to 35 per cent of the entitlement. Assuming that the BPL and APL card holders are evenly distributed in an FPS and assuming the current rate of reduced allocation in respect of the APL category, the income of a FPS comes down to Rs. 7,369/- per month. The situation is worsened if the number of food cards attached to a FPS unit is much less than 1000 cards. The table provided in para 5.6 of the chapter dealing with viability shows at a glance, the unequal distribution of ration cards in Delhi.

- 3.4. The estimated average expenditure of a FPS on a conservative scale including expenditure on rent, commission payable to banks on demand drafts, stationery items, salary paid to helpers, labour and electricity charges etc. works out to approximately Rs. 6,000/- per month. The absence of a steady income over and above the monthly expenditure incurred in running the FPS erodes its viability. Hence, the representatives of FPS dealers associations raised the demand for increasing the rate of commission. It was also suggested that the commission of the FPS should be increased to Rs. 70/- per Quintal. Other views touched on entrusting PDS work to a person already in business, making the PDS attractive enough for more persons to avail of this facility and ensuring that a FPS dealer earns at least Rs. 10,000/- over and above expenses incurred by him in running the shop. One NGO representative suggested that an option should be given to cardholders for purchasing SFAs from any FPS and the competition generated through this process will improve the viability of FPS.

3.5. The Committee has observed that there are other factors impacting on the viability of a FPS. Some of these are:

- i) Delay in supply of SFAs;
- ii) Losses suffered by FPS dealers due to blockage of working capital invested for the stock and transport, for long periods;
- iii) Losses suffered on account of short supply of goods;
- iv) Unequal distribution of ration cards;
- v) High transportation costs;
- vi) Commission being too low to generate moderate income.

3.6. Keeping in view the Committee's wide ranging interaction with stake holders, knowledgeable individuals, government officials and its own findings and also with a view to avoid any significant additional burden on the system, the Committee has explored other available options for improving the viability of the FPS instead of increasing the rate of commission. The main recommendations of the Committee are as follows:

- a) There will be substantial gain for FPS dealers if the cost involved in transportation of SFAs is based on actual cost in terms of tender floated by the Government. Elsewhere in the Report, it has been recommended that the responsibility for transport arrangement through open tendering process be taken over by the Department in place of the DSCSC.



- b) The Department should take urgent action to rationalize the ration card position of the FPS and ensure that the present anomaly of unequal distribution of cards is reduced to the minimum.
- c) End to end automated system in the PDS chain should be introduced to plug leakages and improve viability of the FPS. Further, recourse to E-banking is a favoured option for cutting down delays in depositing money with FCI/ DSCSC. This will be a substantial improvement on the existing practice.
- d) Incentive should be given to FPS dealers for selling other commodities in conjunction with SFAs. Other commodities should, however, not include SFAs i.e. wheat and rice available in open market. This will improve the viability of FPS.
- e) Accountability should be fixed for any delay in delivery of SFAs.
- f) The question of amalgamating Kerosene Oil Depots (though an equally discredited and corrupt system) and FPS on the Maharashtra model and providing both the facilities to consumers through the FPS window needs to be examined to further improve the viability of FPS.
- g) The Committee would also like to emphasize the need to provide a dedicated place on the lines of milk depots, post offices, multi-purpose kiosks for the FPS at a very nominal rent. The State Government of Delhi should take the initiative in this regard.
- h) As far as the BPL category is concerned the State Government must bear the responsibility to provide door delivery of SFAs to the FPS at its own cost. This obligation arises from the PDS (Control) Order, 2001 itself where Clause 6(3) read with Clause 4(6) of the Annexure to the PDS (Control) Order 2001, casts a duty on the authorities to ensure physical

deliveries of SFA's to the FPS. Further, in the 9-point action plan formulated by the Government of India, doorstep delivery has been highlighted as one of the urgent measures to prevent diversion. Once the State Government undertakes this obligation the FPS owner is relieved of the burden of paying a sum of Rs. 15/- per Quintal towards transport of BPL stock which amount automatically increases his profit.

#### 4. VIGILANCE COMMITTEES AND GRIEVANCE REDRESSAL MECHANISMS IN THE NATIONAL CAPITAL TERRITORY OF DELHI

4.1. The PDS (Control) Order, 2001 provides for monitoring and vigilance including constitution of vigilance committees. There are extensive provisions in the said Control Order regarding the role of these committees, followed by detailed instructions issued from time to time by the Department for operationalizing the vigilance initiative. Some of these initiatives include setting up of Circle Advisory Committees to advise on streamlining the functioning of PDS, holding of public audit, public hearings for resolution of public complaints, constitution of Citizens' Watch Committees for monitoring distribution of SFAs and matters relating to availability of SFAs, their quality and quantity etc. and reconstitution of FPS vigilance committees to attend to complaints regarding non-availability or short supply of SFAs. Provisions/ instructions exist which describe their role, functions and responsibilities of the vigilance committees and have been discussed at length in the main body of Report dealing with the subject.

4.2. In addition, there is an Enforcement Branch of the Department to enforce various control orders and the circulars issued by the Department. There is also an Anti – Hoarding Cell that is a part of the Enforcement Branch, to check malpractices and initiate action against guilty persons. The Enforcement Branch and the Anti – Hoarding Cell, in the Committee's view have miserably failed in discharging their assigned responsibilities. Their role has been discussed in detail in the main Report. A Task Force for each revenue district under Deputy Commissioner (Revenue) has also been constituted to conduct surprise checks/ raids. There is also a model

Citizens' Charter on TPDS defining particularly the role and functions of vigilance committees to which the Central Government has drawn attention of State Governments for necessary compliance.

- 4.3. In furtherance of the Model Citizens' Charter on TPDS, the Delhi Government has also constituted a State vigilance committee, with the objective of preventing black marketing and diversion of SFAs, attending to complaints regarding non-availability of wheat, rice, sugar etc. and other related deficiencies in the operation of the PDS in Delhi.
- 4.4. The Committee has observed that while there are numerous entities involved in smoothly steering the course of the PDS in Delhi, their impact is virtually non-existent on the ground and as a result, malpractices abound to the great discomfiture of the common man. It has been squarely admitted by Commissioner: Food Supplies and Consumer Affairs that vigilance committees in Delhi are defunct and ineffective. Meetings of FPS vigilance committee are not being held separately and instead whatever meetings are held go under the name of joint meetings of Circle Advisory Committees and FPS vigilance committees. The Committee has found that these meetings, apart not from being held on a regular basis, do not serve the intended purpose and have degenerated into a routine affair without focus.
- 4.5. The multiplicity of entities entrusted with more or less similar tasks with none of them performing their assigned functions has gravely undermined the credibility of these bodies and contributed in no less measure to existing deficiencies in PDS.
- 4.6. The Committee, therefore, has made detailed recommendations in the main chapter for revamping the vigilance machinery. Some of the important recommendations are as follows:

- a) The Circle Advisory Committees and Citizens' Watch Committees, in their present form, may be scrapped and in their place, district-wise vigilance committees may be constituted, vesting them with appropriate powers, functions and responsibilities.
- b) No meeting of a vigilance committee should be postponed on account of non-availability of the area M.L.A. to chair the meeting. In the absence of an area M.L.A., the meeting may be chaired by the Assistant Commissioner of the concerned district.
- c) The State level vigilance committee should be reconstituted by retaining the existing composition with the only change that the Commissioner, Food Supplies and Consumer Affairs be made the member/convenor of such reconstituted committee. This Committee should meet once in a quarter to review the functioning of the district level vigilance committees.
- d) The process of selection and appointment of members of the vigilance committees be made more transparent with greater involvement of the public, stakeholders and household women. The majority of members of the committee should be women who are ration card holders of the concerned FPS. As far as possible, the member from SC/ST should also be a woman.
- e) There are other recommendations given in the main chapter on this subject which detail the modalities of the functioning of vigilance committees, such as, periodicity of holding of these meetings, what should constitute the agenda for such meetings and nature of follow – up action to be taken in respect of such meetings.

- f) The Committee has recommended a toll free Help Line for attending to consumer complaints relating to the PDS.
- 4.7. The Committee has also focused on the need to set up an independent monitoring mechanism for addressing consumer complaints along with a host of other related issues. This mechanism may be in the form of an "Ombudsman/ Regulator" to be created under para 6(1) of the Annexe to Clause 8 of the PDS (Control) Order, 2001. The PDS (Control) Order, 2001 may be further amended to give greater clarity to the role and responsibilities of the Ombudsman/ Regulator. The structural framework of this institution along with powers, functions and responsibilities and other related issues have been discussed in detail in the chapter dealing with vigilance committees.
- 4.8. The complaints received by the Ombudsman/ Regulator may be referred by him for a report from the district vigilance committee or FPS vigilance committees, as the case may be. It is clarified that this power of the Ombudsman/ Regulator to make a reference shall be in addition to and not in derogation of the powers of the Ombudsman/ Regulator to conduct an independent enquiry into the complaints. While, the reports so received, will assist the Ombudsman/Regulator in providing solution, these reports will not be binding upon the Ombudsman/ Regulator.
- 4.9. The Anti – Hoarding Cell should be independent of the Enforcement Branch. The Anti Hoarding Cell should be headed by an officer holding the rank of not less than a Deputy Commissioner of Police who will also select the other personnel of the Cell. A "Special Flying Squad" would also be constituted into the Anti – Hoarding Cell for taking prompt and immediate action, as and when the need arises. This Squad shall be functional round the clock without exception. The Anti – Hoarding Cell should directly report to the Commissioner, Food Supplies & Consumer Affairs.

5. **TRANSPORTATION OF SPECIFIED FOOD ARTICLES UNDER THE PUBLIC DISTRIBUTION SYSTEM**

- 5.1. The Delhi State Civil Supplies Corporation (DSCSC), a public sector company under the administrative control of Food and Civil Supplies Department, Delhi Government, has been entrusted with the responsibility of transportation of SFAs from the six FCI godowns to 2772 functional FPS spread over in 70 circles located in 9 districts in Delhi. This responsibility is discharged by the DSCSC by engaging trucks through an open tendering process on an annual contractual basis.
- 5.2. The Delhi Government fixes the cartage rates pursuant to which DSCSC receives the charges @ Rs. 35/- per quintal for the APL category and Rs. 15/- per quintal for the BPL category from FPS dealers. Cartage charges in respect of the AAY and the APS is paid to the DSCSC by the Delhi Government. The Committee is of the view that the cartages charges recovered from the FPS dealers are excessive and disproportionate to the actual cost incurred by the DSCSC in engaging trucks for transportation of SFAs. This will be apparent from the fact that the DSCSC made a net gain of Rs. 1.59 crores during the financial year 2005-2006 out of PDS operations after meeting administrative expenses.
- 5.3. The Committee has further observed that the transportation rates fixed as a result of the tendering process vary in the range of Rs. 6.22 to Rs. 25.50 per Quintal. Such a large variation in the rates is a sad commentary on the tendering process and leads to the inescapable conclusion that losses suffered in quoting unrealistic rates for transportation by transporters are

sought to be made good by indulging in diversion of SFAs on a large scale.

- 5.4. The Committee has noted that there is a plethora of instructions/guidelines issued by the DSCSC to streamline the transportation system, ensuring timely delivery of SFAs and for preventing diversion of SFAs. But the very fact that various malpractices connected with these activities are being committed in a blatant manner go to show that there is utter laxity in supervision, lack of accountability at all levels and that there is a deep-rooted and flourishing nexus between transporters, officials and FPS dealers to defeat the objective behind the PDS and derive pecuniary gains by subverting the PDS operations.
- 5.5. The main body of the Report makes references about sting operations carried out by different TV channels, which among other things, is a pointer towards the prevalence of a benami tender practice for contracting trucks for transportation of SFAs.
- 5.6. The Committee has further noted in its findings that the DSCSC is not adequately discharging its responsibility of supervising/monitoring the transportation of SFAs from FCI godowns to FPS. Lack of strict supervision over transporters and truck movements virtually derails the PDS in as much as this adversely impacts timely delivery of SFAs at the FPS and leads to the diversion of SFAs. No doubt, DSCSC has introduced PDS ONLINE to keep an eye on the status of transportation and lifting of food grains from FCI godowns as also availability of ration items at various FPSs and other relevant information but this software alone would not suffice to ascertain the actual movement of PDS trucks and the direction in which they are going. Hence, in so far as transportation of SFAs from FCI godowns to the FPS is concerned, it would not be an exaggeration to say that vigilance and supervision are nil.

- 5.7. The Committee has examined at length the Mumbai model of transportation of SFAs in the main body of the Report along with its merits and demerits. The Committee, however, is not convinced whether it can be adopted *mutatis mutandis* in Delhi.
- 5.8. Important recommendations of the Committee emerging from a close study of system being followed in Delhi for transportation of SFAs are as follows:
- a) The present system of entrusting the responsibility for transportation to the DSCSC is flawed and it would be appropriate for the Department/Delhi Government to take over this responsibility. The Department should work out detailed modalities for discharging this responsibility without apportioning administrative expenses in the transport charges to be paid by FPS dealers. The Committee has discussed the role that the Assistant Commissioners of Department have to play in this context.
  - b) The net gain on the transportation account currently being made by DSCSC could very well go to FPS dealers, which will improve the viability of FPS.
  - c) E-banking should be introduced for payment of cartage charges and cost of SFAs by the FPS.
  - d) The Committee also recommends availing of funds provided by the Planning Commission for strengthening the PDS operations by providing a mobile FPS for areas where the number of food cards/ration cards does not justify opening of a FPS as per norms.



- e) The Committee further recommends zero tolerance in cases of breach of contract by transporters and imposition of deterrent monetary penalty for infraction of contract.
- f) The GPS should be used on trucks carrying SFAs to track their movement and installation of the GPS should be made a part of tender conditions. Any tampering of GPS should be severely dealt with and for this purpose the PDS (Control) Order, 2001 if necessary may be amended. The Ombudsman should also be given a role in monitoring the functioning of the GPS.

## 6. COMPUTERISATION

- 6.1. The core objective of the TPDS, which was introduced by the Government in the year 1997, is to ensure that the underprivileged/needy segment of the population, which depends on the supplies of SFAs for its day to day sustenance, is provided its full-allotted quota on time. The Committee is of the view that there is rampant corruption at every level of the distribution chain and the most effective way to deal with this cancerous and all pervading corruption in the system is to introduce a completely automated system based on information technology with minimal or no human intervention.
- 6.2. Para 6(6) of the Annexure read with Clause 8 of the PDS (Control) Order, 2001, the State Government is obliged to monitor the functioning of the FPS through the computer network installed in the district NIC centres. The clause further states that computer codes would be provided to each FPS. However, the Committee has found that the Delhi Government has not setup any system for monitoring the working of the FPS through the network of NIC or otherwise.
- 6.3. The Committee invited various organisations and also studied models currently being implemented by different state governments. Various presentations were made before the Committee and the Committee had wide range of discussions with experts in this respect. The various systems studied by the Committee are:
  - i. Existing computerisation in the FCI.
  - ii. Coupon System/ Food Stamps.

- iii. Card System
  - a) Machine Readable Cards
  - b) Biometric Cards
  - c) Visual Crypto Cards (Grid Cards)
- iv. Iris Technology.
- v. Automated System using Online Technology.
- vi. Automated System using Smart Cards.

6.4. The Committee studied many types of technologies that were demonstrated and suggested by different agencies. Some of them have been implemented by some State Governments. On the basis of the above-suggested technologies the Committee recommends the following:

- a) An automated computerisation model has been suggested for the TPDS. It is submitted that the proposed model has been prepared after consulting various technical professionals in the field of information technology. It is recommended that this model may be introduced initially on a pilot basis in one circle in Delhi.
- b) The only solution to the ills plaguing the PDS is to introduce a completely automated system based on information technology, which would result in minimum human intervention.
- c) A database of genuine beneficiaries rectifying all inclusion and exclusion errors must be created by door-to-door verification entrusted to a credible independent agency. This will result in elimination of bogus cards.
- d) A complete automation of the PDS has to be achieved in a time bound manner.
- e) A pilot study in terms of the suggested model of automation may be implemented in a few circles.
- f) Further, till full automation is achieved, the system of coupons as suggested in para no. 3.4.1(c)(iii) of the chapter may be implemented. The system of coupons may also, in the first instance, be tested in a few circles.

7. **MAKING TARGETED PUBLIC DISTRIBUTION SYSTEM MORE REALISTIC**

7.1. The PDS has evolved as an intrinsic part of Government policy for management of scarcity of SFAs and for ensuring distribution of SFAs to the vulnerable sections of the society at subsidized prices. The responsibility for managing, operating and implementing the PDS rests jointly with the Central and State Governments.

7.2. Responding to the need of vulnerable sections of the society in regard to availability of SFAs at affordable prices, the PDS has graduated from being a general entitlement scheme till 1992 to the Revamped Public Distribution System (RPDS) and now to TPDS which was launched by the Government of India in June 1997, with a special focus on the poor.

7.3. The three schemes that are being operated currently under TPDS are:

- (i). Antodaya Anna Yojana (AAY): This covers the poorest families from amongst the below poverty line families entitling them to 35 Kgs. SFAs per month i.e. rice @ Rs. 3/kg. and wheat @ Rs. 2/kg. As on 31/12/2006, there are in all 57,336 AAY card holders in Delhi.
- (ii). Below Poverty Line category (BPL): This covers those poor families whose income is below Rs. 24,200/- per annum. BPL card holders are entitled to 25 Kgs. of wheat @ Rs. 4.65/kg. and 10 Kgs. of rice @ Rs. 6.15/ kg. per month. As on 31.12.2006, there are 3,78,947 BPL ration card holders in Delhi.
- (iii). Above Poverty Line category (APL): This covers families whose annual income is in excess of Rs. 24,000/-. Each APL cardholder is entitled to 25 Kgs. of wheat @ Rs. 6.80/kg. and 10 Kgs. of rice @ Rs. 9.00 /kg. As on 31/12/2006, there are 22,85,513 APL cardholders in Delhi.

7.4. The functioning of the TPDS and in particular the above three schemes has been discussed in depth in this chapter of the Report. It will suffice here to say that gaps abound and the functioning of the TPDS leaves much to be desired. Some deficiencies identified by the Committee are as follows:

- a) There are serious gaps in coverage of people below poverty line and the existing number of beneficiaries under the AAY/ BPL categories does not seem to relate to the number who should have been covered.
- b) There is a large number of bogus ration cards in BPL category which distorts the BPL matrix and places avoidable burden on the system. There is a lackadaisical approach towards weeding out ineligible persons.
- c) APL is the most sought after category and the biggest leakage in the system is in this category as the beneficiaries under this category do not avail of PDS facility, by and large.
- d) Data furnished in respect of lifting of SFAs under different categories by the Delhi Government between April 2006 and March 2007 itself shows that large scale diversion takes place in respect of SFAs meant for APL category. The lifting of SFAs during this period under APL constitutes almost 72 per cent of total quantities of SFAs lifted.
- e) Targeting is not serving its real purpose as the beneficiaries do not get SFAs in accordance with their entitlements.
- f) The system lacks proper accountability at each stage of operation, otherwise how does one explain continued commission of malpractices with impunity and flourishing nexus between officials, transporters and FPS owners to milk the system to their advantage.
- g) The existence of the APL category in an open ended manner has diluted the euphemism “Targeted” and made the system virtually universal, detracting from its main focus of catering to the poor and destitute.

7.5. The Committee has made several recommendations in the main body of its Report, the important ones being:

- a) launching a time-bound door-to-door drive to identify genuine beneficiaries under AAY/BPL categories and provide due coverage to them.
- b) There would be an amnesty period of four weeks where persons holding bogus cards could surrender them without liability. However on the expiry of this period the above mentioned intensive door-to-door verification would be conducted and during that verification if any bogus card is detected both the holder as well as the concerned officers who had recommended the card would be prosecuted under Section 7 and other Sections of the Essential Commodities Act, 1955 without exception.
- c) Revisit the income criterion for the BPL category keeping in view improvement in the poverty scale.
- d) Do away with the APL category and restrict TPDS to the poor namely persons below the poverty line i.e. BPL and poorest of the poor i.e. AAY. It is needless to say that it is this category of persons who need food security. While doing away with the APL category the Committee also recommends increase in the income threshold of the BPL from the present Rs. 24,200/- to Rs. 49,284/-. This based on the minimum wage payable to an unskilled workman in Delhi as per the order No. F.12 (142)/02/MW/LAB/1016 dated 13.3.07. The break up of the said amount is as follows:

Minimum wage per month	=	Rs. 3470/-
Add: 13.6% EPF	=	Rs. 472.26
Add: 4.75% ESI	=	Rs. 164.82
Total:	=	Rs. 4107/-

- e) The Committee is aware of the fact that there is going to be a great deal of opposition from the FPS dealers and other vested groups against the abolition of the APL category. If the Court is of the view that it may not be possible or desirable to abolish the APL category altogether, it may consider limiting the APL category to households whose annual income is Rs. 1,00,000/-. This is based on the fact that a class IV employee of the Central Government in Delhi gets a consolidated salary of about Rs. 8,000/- per month making it Rs 96,000/- per annum. This category may be called "Marginally Above Poverty Line (MAPL)".
- f) Clear delineation of responsibilities and functions of each position connected with PDS; provide benchmarks for performance levels, and introduce the concept of personal liability in case of lapses.
- g) Introduce an end-to-end automated system in the PDS chain as discussed in the Computerization Chapter to minimize human intervention in the PDS operations and reduce the scope for manipulation.

## 8. INTRODUCTION OF FORTIFIED ATTA (WHEAT FLOUR) IN THE PUBLIC DISTRIBUTION SYSTEM

- 8.1. The Committee is of the considered view that fortified Atta along with wheat should be made available through PDS outlets which would immensely benefit the vulnerable sections of society and increase off take by consumers of PDS foodgrains. Even today, persons without BPL ration cards, despite being eligible for the same, and other persons with BPL ration cards are purchasing wheat flour from the open market as a matter of convenience and to save on the time and cost involved in grinding of wheat into flour. The system of distribution of wheat flour is in vogue in the district of Darjeeling where enriched wheat flour is given @ Rs. 6.80 per kg. In the open market, packaged wheat flour weighing 10 kg costs anything up to Rs. 150/- and therefore, it should be possible to price a

packet of fortified 5 kg or 10 kg wheat flour at a much lower price which may be any price between Rs. 7/- and Rs. 8/- per kg. This will definitely be much less than what may be available through the open market. The advantages would far outweigh a somewhat increased price that may have to be paid. At least, providing this option to the vulnerable sections of the society through the PDS network will be a step in the right direction.

8.2. The Committee has also suggested modalities for operationalising this innovative step in the main chapter dealing with this subject.

8.3. Fortified Atta would also improve the general health of the vulnerable sections and reduce instances of Vitamin A deficiency and iron deficiency Anaemia. It has also been suggested that general instructions may be given to sell only fortified Atta both under the PDS as well as the open market as this will make implementation easier and prevent diversion.

9. IMPEDIMENTS IN EFFECTIVE ENFORCEMENT OF PROVISIONS OF ESSENTIAL COMMODITIES ACT, 1955, PDS (CONTROL) ORDER, 2001 AND DELHI SPECIFIED ARTICLES (REGULATION OF DISTRIBUTION) ORDER, 1981—ANALYSIS AND RECOMMENDATIONS.

9.1. Impediments in the enforcement of provisions of the above Act/ Orders have been identified as follows:

- i. Insistence of police authorities to act only on complaints made by the Department;
- ii. Disinclination of police authorities to conduct investigation against violators of the above Act/Orders;
- iii. Failure of the Department to launch timely prosecutions against the violators including the errant FPS dealers;
- iv. Failure to hold delinquent officials accountable for their acts of omission and commission; and

- v. Delay in Court proceedings.
- 9.2. All the above factors have been discussed in detail citing instances in the chapter on the subject in the main body of Report. The Department vide Letter No. F. 10(393)/Misc/F&S/Vig./681 dated 20/04/2007, has furnished a list of 42 pending disciplinary proceedings as on 19/04/2007. Most of these cases are pending since the last six to seven years with oldest pendency back to the year 1987. The list, which is annexed, is an eye-opener. None of these cases relate to complicity in diversion of SFAs, fudging of FPS records regarding stocking and sale of SFAs etc., which have today become an intrinsic facet of PDS operations.
- 9.3. The Department has also furnished a list of 37 disciplinary proceedings that have been disposed off during the years 2005 – 2007. Most of the disposed off cases relate to unauthorised absence, malpractices in sale and receipt of BPL ration card application forms, preparing non – genuine ration cards, unauthorised absence from duty etc. It is seen from the list that even in a case of a serious offence like preparation of non – genuine ration cards, a meagre penalty of censure or reduction by one stage in time scale has been imposed.
- 9.4. It has been observed by the Committee from an analysis of court files that there are inordinate delays in trials under the Essential Commodities Act, 1955, defeating the very object and purpose of Section 12A(2) of the Essential Commodities Act, 1955 which provides for a summary trial.
- 9.5. After in-depth analysis made in the chapter on this subject, the Committee has made the following recommendations:
- a) The police department should be directed to act on complaints in consonance with Section 11 of Essential Commodities Act, 1955.



- b) The police department should be directed to exercise their powers of search and seizure without exception.
- c) Prosecutions should be instituted against persons involved in contravention of statutory provisions.
- d) Action should be taken without loss of time to seal the FPS if found contravening statutory provisions and the license of such FPS should be revoked if enquiry in the matter confirms commission of offence unless a superior court stays the proceedings.
- e) A fast track Court should be constituted in respect of cases pertaining to violations of Essential Commodities Act, 1955. There should be a special prosecutor for handling such cases.

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As amended by the Public Distribution System (Control)(Amendment) Order, 2004