

“REFORMS IN PDS – A WAY TO FOOD SECURITY”

C.Venkateswarulu*

D.Sahadevudu

Y.Ramachandrareddy

Abstract

Across the country there have been reports of a grain going to waste while hundreds of thousands continue to starve. The challenge of meeting the food requirement of an ever increasing population can only be met by practicing sustainable agriculture protecting natural resources from being degraded, polluted and using production technologies that conserve and enhance the natural resource base of crops. Food is the first among the hierarchical needs of a human being. Therefore food security should have the first charge on the available financial resources.

Food security is the “the access of all people to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”. It has four basic components: availability accessibility utilization and stabilization. Food security is now defined as physical, economic and social access to balanced diet, clean drinking water, environmental hygiene and primary health care.

To achieve sustainable food security three dimensions of this problem need concurrent attention. They are **Availability of food, Access to food, Absorption of food.**

The universal declaration of human rights of 1948 asserts in article 25(1) that “everyone has the right to a standard of living adequate for the health and well being of himself and his family including food”. National Food Security Act giving legal rights to food can be implemented only by attending to the safe stores of both grains and perishable commodities like fruits, vegetables and milk. At the same time animal nutrition also require greater attention.

* Lecturer in History, M.S. Degree College Gooty-515401. Andhrapradesh(state).

Unfortunately grazing land is fast shrinking. Animals are underfed and are therefore low yielding. Animal food security is essential for human nutrition security.

Key words: Public Distribution System, Food security, stabilization.

“In the welfare state, one of the primary duties of the state is to provide food security to its people. In India even after 67 years of independence still 32% of total population is living below poverty line. Therefore in the development strategies the thrust was focused to eliminate poverty. National Food Security Act which will confer on every Indian the legal right to food”.

The eradication of poverty is the main aim of National Food Security Act. Food security is defined as the availability of food and one's access to it. Public Distribution system (PDS) is one of the major strategies to provide food security in India. PDS acted as an instrument of price stabilization and become a countervailing force against private traders who were try to exploits the situation of security of food.

PDS also has become a cornerstone of government development policy and is tied to implementation of most rural development programs. PDS is also key driver of public sentiment and is an important and very visible metric of government performance. One of the main problems with this system is the inefficiency in the targeting of beneficiaries and the resulting leakage of subsidies. Several opportunities to manipulate the system exist with widespread collusion across the supply chain.

Objectives of PDS

PDS with a network of 5.05 Lakh Fair Price Shops (FPS) is perhaps the largest retail system of its type in the world.

Since 1951 public distribution of food grains has been retained as deliberate social policy by India with the objectives of:

1. Providing food grains and other essential items to vulnerable sections of the society at reasonable (subsidized) prices.
2. To put an indirect check on the open market prices of various items and.
3. To attempt socialization in the matter of distribution of essential commodities.

The operational details of the PDS differ from state to state. Though the policy of setting up of FPSs owes its implementation remains the direct responsibility of the state governments. In order to operate the PDS effectively, the Central Government issues guidelines from time to time to the states regarding the operational details of the PDS. The operational responsibilities including allocation within the state, identification of families below poverty line, issue of ration cards, supervision and monitoring the functioning of FPSs rest with the State Governments. The food and Civil Supplies Department of the State Government is mainly entrusted with the task of monitoring PDS in the state.

Working of PDS:

With the scare of rising food prices and the volatility in food output being seen all around the globe, there is a renewed focus on the sustainability and efficacy of India's biggest intervention in the food market. The Public Distribution System (PDS) seeks to ensure availability of essential commodities like wheat, rice, sugar, edible oils and kerosene to the consumers, through a network of outlets or Fair Price Shop (FPS). There is network of about half a million PDS is operated under the joint responsibility of the Central and State Governments, 70% of the poor use the PDS in Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Between 50 to 60% of the poor use the PDS in Assam, Gujarat, Maharashtra and Orissa. Participation rates of the poor vary between 6 to 22% in Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh. Indeed, the majority of the poorest 20% of households in the northern and eastern Indian states does not purchase any food grains from the PDS. In aggregate, only about 42% of subsidized grains issued by the Central Pool reach the target group, according to a Planning Commission study released in March 2008.

The off take per household has shown improvement under Targeted PDS, only about 57% of the BPL households are covered by it. The amount of subsidies during 2007-08 for food,

fertilizers and petroleum was Rs 64,929crore. The food subsidies are largely designed to be targeted to people below the poverty line and the other two subsidies, fertilizer and petroleum, particularly LPG, are available to all users and consumers. In principle, food markets as well as improves the equity of food markets outcomes. The efficiency effect arises from price stabilization; the market outcome involves unacceptably low food consumption for the poor. The equity objective of food market intervention is to augment the food consumption of such target groups by offering subsidies. Both these goals could be achieved by procurement, storage and distribution.

While the PDS is the joint responsibility of the Central government and state governments, their roles are unequal. The central government procures, stocks, transports and supplies grain to the state government and absorbs the costs of these operations. Once the grain is allocated to the states, is it the job of the state governments to 'lift' the grain and distribute it to retail PDS outlets within the state. Decisions about the major policy parameters like procurement price, issue price, ration quotas are made by the central government. Some state governments, like Andhra Pradesh, have participated in policy-making by offering subsidies in excess of the central government subsidy. But, by and large, the role of state governments is to support the FCI in procurement and distribution with little participation in policy-making, except by way of lobbying for special interests. With annual sales between 15 to 20 million tons of grain, the public distribution system accounts for 15% of the total availability of rice and wheat for about 40% of the grain that arrives in markets.

The indicator targeting at the central level began with the revamped PDS in 1992 where certain backward regions received higher subsidies as there is a strong case for treating regions differently. However, geographical targeting was given up in 1997, when it was replaced country wide by the targeted PDS (TPDS). In the new programme, the PDS makes a distinction between below poverty line households are provided grain at FCI's economic cost, BPL households receive grain priced at 50%of FCI's economic costs. Thus, the subsidies are restricted to BPL population. In principle, TDPS ought to make food subsidies cost-effective. However, it would be naïve to expect errors to vanish Identification of the poor is the responsibility of the state government, which in turn is expected to use local bodies and village panchayats for this purpose.

Identification depends on house hold characteristics such as occupation, dwelling type and size and so on. Even when done honestly, there is no reason to expect that the total of such beneficiaries will match the BPL population in the state because:

1. Targeting indicators are imperfectly correlated with poverty.
2. Poverty is itself measured with error.

If there is an excess of beneficiaries, there is a problem because their BPL subsidy will not be funded by the central government. At least some state governments might be expected to trim the number of beneficiaries by whatever means to match the BPL population. So exclusion errors can be expected even when the process is faithful to its intentions. More realistically, we can expect errors also because of lack of interest and capture by non target groups. In addition, the difference between APL and BPL prices provides strong incentives for illegal diversions to the market. For these reasons, it is not clear that BPL targeting is the best route for target groups to access subsidies.

Challenges to PDS:

One of the main problems with this system is the inefficiency in the targeting of beneficiaries and the resulting leakage of subsidies. PDS currently suffers from a number of issues that make it difficult for it to meet its objective of ensuring that the allotted quota of specified food articles reaches the intended underprivileged or needy segments of society. The most serious flaw plaguing of this system at present is the lack of transparency and accountability in its functioning.

There are many systemic challenges that plague the PDS system today:

PDS Leakages: The TPDS currently suffers from a number of issues that make it difficult for it to meet its objective of ensuring that the allotted quota of specified food articles reaches the intended underprivileged/ needy segments of society.

- A large number of families living below the poverty line have not been enrolled and therefore do not have access to ration cards.

- A number of bogus cards which do not correspond to real families, exist in the BPL & AAY categories. Food drawn on the basis of these bogus cards is a significant leakage from the system, as it does not reach the intended beneficiaries. Additionally, these extra cards inflate the number of BPL and AAY cards in circulation and further reduce the amount of food available to every rightful beneficiary family.

- A number of instances where benefits are being availed in the names of rightful entitled families without their knowledge. This shadow ownership is possible due to inefficiencies in ration card issuance and distribution. Errors in categorization of families that lead to BPL families getting APL cards and vice versa.

1. **Scale and Quality of Issue:** The scale of issue and the quality of food grains delivered to the beneficiary is rarely in conformity with the policy. Many FPS are open only for a few days in a month and beneficiaries who do not visit the FPS on these days are denied their right. The FPS also uses multiple excuses to both charge higher rates and deliver reduced quality of food grains.

There are also significance differences in the manner in which the Central and States arrive at the number of BPL families. This mismatch usually means lower allotments for each family as states arrive at higher numbers of BPL families.

2. **System Transparency and Accountability:** The most serious flaw plaguing the system at present is the lack of transparency and accountability in its functioning. The system lacks transparency and accountability at all levels making monitoring the system extremely difficult.
3. **Grievance Redresser Mechanisms:** There are numerous entitles like Vigilance Committee, Anti-Hording Cells constituted to ensure smooth functioning of the PDS system. Their impact is virtually non-existent on the ground and as a result, malpractices abound to the great discomfiture of the common man.

Apart from the challenges described, transportation of food grains and appointment of dealers of Fair Price Shops have also become difficult issues. Viability of the FPS is already a major concern and this would get amplified once PDS leakages are brought under control.

Reforming PDS

The UID program will create a database of all unique residents in the country. The PDS system currently serves the largest number of residents in India and efforts are underway to improve the efficiency of the system. There are several benefits that will accrue to the PDS system and the UID program if an alignment and synergy is established. The PDS system stands to benefit from the legislative, technology and administrative infrastructure that are being created for the implementation of the UID program.

- **Better Identification:** Integration with the UID program will lead to better identification of individuals and families leading to better targeting and increased transparency and therefore better functioning of the system and increased public approval.
- **Off take Authentication:** The UID database will maintain details of the beneficiary that can be updated from multiple sources. The PDS system can use this database for authentication of beneficiaries during the off take recording process. A mechanism of verifying the ID of the person at the time of delivery of grains will help in improving the targeting of the grains.
- **Legislative Support:** The legislative support in form of need for submitting the UID number for several transactions will push residents to acquire a UID. The most convenience mechanism will be for residents to get a ration card and this will create a supporting environment for computerization of ration cards.
- **Technology Support:** The Aadhar program is putting together technology specifications and infrastructure to handle enrollment, storage and identity confirmation of all Indian residents. The PDS system can leverage this and rapidly move ahead with the enrollment process.

- Duplicate and Ghost Detection: the Aadhar will provide duplicate detection infrastructure to the PDS programme. It can also assist in the development of special tools to assist in the assessment of eligibility of applicants.
- Support for PDS reform: the Aadhar can support PDS reform by providing the banking account number for a family to effect direct cash transfer.

Conclusion:

With the mammoth Food Security Act, there is urgent need to rethink the PDS's centrality in the distribution edifice since an estimated 2/3 of PDS grains get diverted to the open market. Alternatively the delivery system must be considered, such as smart card – routed direct cash transfers to women heads of households in the place of food subsidy. This way, food gets sold at market price, limiting incentives for pilferage. Financial inclusion and Aadhar project must take off to support this scheme. Integration with the Aadhar (UID) program will lead to better identification of individuals and families leading to better targeting and increased transparency and therefore better functioning of the PDS and increased public approval.

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