

## **Preface**

Attaining food security is a matter of prime importance for India where more than a third of the population is estimated to be poor. Government of India has been distributing foodgrains through the Public Distribution System, in one name or the other, for the last seven decades. National Food Security Act, 2013 (NFSA) was enacted on September 10, 2013 by the Parliament with the objective of providing adequate quantity of quality food at affordable prices to people to live a life with dignity. The mission of making India food secure has now been changed from an entitlement-based to a right-based approach by giving it a legal mandate.

As NFSA envisaged the use of the existing platform of Targeted Public Distribution System, it called for certain crucial steps to be taken such as identification of beneficiaries and issue of fresh ration cards in one year's time frame, computerisation of TPDS operations, creating sufficient and scientific storage capacity and doorstep delivery of foodgrains to the fair price shops by the states. Only 11 states claimed implementation at an all India level within the year and by October 2015, 18 states reported implementation of NFSA.

We examined the state of implementation of the NFSA to assess the preparedness in nine selected States/UTs on the above crucial components. Identification of beneficiaries was one key milestone to be achieved within a year, but most of the early implementers (Himachal Pradesh, Delhi and Maharashtra) recycled the old system and re-branded it as NFSA compliant. There were repeated extensions of timelines by the Central Government for identification of beneficiaries for which there was no provision in NFSA. The Report brings out that preparedness for implementation of NFSA was deficient in several states even after two years of its enactment.

Since distribution of foodgrains through NFSA is an important social security programme of the Government, more systematic approach is needed to bring in structural changes and efficient delivery of foodgrains.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

This report has been prepared for submission to the Parliament under Article 151 of the Constitution of India.

## Executive Summary

Article 21 of the Constitution of India provides the right to life to all the citizens of India. Article 47 of the Constitution provides that the State shall regard raising the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties.

National Food Security Act, 2013 (NFSA) which came into effect from July 5, 2013 aimed to provide foodgrains to 81.34 crore beneficiaries at highly subsidized rates. One of the major implications of NFSA is that the identified beneficiaries have the right to get subsidized foodgrains. The NFSA also sought to bring about changes in the public distribution system which suffered from several deficiencies such as errors in targeting, inefficient delivery mechanisms resulting in high leakages and lack of transparency in its operations.

Up to 75 *per cent* of the rural and 50 *per cent* of urban population as per Census 2011 at all India level were to be covered under NFSA and the States/UT (Union Territory) shall be allocated foodgrains as specified for the above coverage. The annual allocation of the state were to be protected in case the allocation under NFSA was less than the average annual off take of food grains for last three years. The implementation of NFSA implies an additional subsidy of ₹ 26,780 crore per year. Before implementation of the NFSA, certain crucial steps were to be taken up by the states as preparatory measures.

In the above background, we decided to evaluate the preparedness of the States/UTs for implementation of the NFSA. Chapter 1 and 2 of this report provide background information on NFSA and our audit approach. Chapters 3, 4, 5 and 6 provide audit findings on identification of beneficiaries and issuance of ration cards, preparedness in logistics, reforms in Targeted Public Distribution System (TPDS) and grievance redressal mechanism and monitoring respectively.

The important findings of the audit are given below:

### **Identification of beneficiaries and issuance of ration cards**

- Eleven States/UTs reported identification of eligible households within the stipulated timeline of 365 days whereas seven States/UTs reported identification of eligible households under NFSA during June-October 2015 taking the figure of implementing States/UTs to 18. Only 51 *per cent* of the eligible beneficiaries had been identified and 49 *per cent* beneficiaries were yet to be identified in all the States/UTs.

(Para 3.2)

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- The reasons for delay in implementation of NFSA by non-implementing States/UTs were non-finalization of figures under Socio Economic Caste Census, lack of infrastructural facilities, insufficient funds and manpower. Ministry extended the timeline for implementation thrice, latest being till September, 2015, though there was no such provision under NFSA.

(Para 3.3, 3.4)

- Most of the implementing States did not identify the Antyodaya Anna Yojana (AAY) and priority household's beneficiaries as per the provisions of the NFSA but used the old database of beneficiaries for extending the benefits.

(Para 3.5)

- In Himachal Pradesh, 6.9 lakh old ration cards were stamped as priority household and AAY households and re-issued as NFSA compliant. In Karnataka, 8.90 lakh bogus and ineligible ration cards were found (June 2015) in the existing system during seeding of Elector's Photo Identity Card details. However, instead of cancelling these bogus or ineligible ration cards, State Government continued to issue foodgrains to them. In Maharashtra, the ration cards were revalidated by merely affixing stamps on the existing ration cards under different categories.

(Para 3.6)

### **Preparedness in Logistics: Allocation, Movement and Storage of Foodgrains**

- National Foodgrains Movement Plan was not prepared despite being decided in the year 2012.

(Para 4.2.1)

- In the test checked States the storage capacity of foodgrains was not adequate for holding three months requirement and the condition of existing storage capacity with the States/UTs needed upgradation.

(Para 4.3)

### **Reforms in Targeted Public Distribution System**

- Doorstep delivery of foodgrains was not implemented in Assam, whereas in Uttar Pradesh and Maharashtra it was implemented partially. In Himachal Pradesh and Karnataka, doorstep delivery was being done by FPS dealers themselves against the provision of NFSA.

(Para 5.2.1)

- Computerization of TPDS operations was not completed in the selected States/UTs and was at different stages of implementation.

(Para 5.3.2)

- Unavailability of required computer application and hardware were the limiting factors in the selected States/UTs. Inadequate digitization of the identified beneficiaries' data was observed in the States/UTs.

(Para 5.3.3)

### **Grievance Redressal Mechanism and Monitoring**

- The grievance redressal system was constituted in most of the states, albeit not till the last tier. Though, six out of nine selected States/UTs were found to have put in place the grievance redressal mechanism, these were not fully functional. Vigilance committees at all the four levels were not in existence in any of the selected States\UTs. Ministry did not have the information on grievance redressal mechanism and vigilance committee, and was not in position to monitor the implementation. Similarly, monitoring done by the States was inadequate and there were shortfalls in inspections.

(Para 6.2, 6.3)

### **Recommendations**

1. *Ministry may issue, in consultation with state governments, guidelines on identification of beneficiaries to maintain transparency.*
2. *Ministry must assure itself of the actual identification of beneficiaries by the States/UTs by following transparent processes before allowing them revised/enhanced entitlements.*
3. *As there is no enabling provision in the NFSA, Ministry should obtain approval of the Parliament for extending the timeline laid down for the implementation of NFSA.*
4. *National Foodgrains Movement Plan should be prepared by the Ministry and implemented for ensuring timely delivery of foodgrains as contemplated in the NFSA.*
5. *Ministry may expedite action to augment the storage capacity for foodgrains and upgrade the existing storage facilities.*
6. *Ministry may take steps to address the bottlenecks in computerization of TPDS operations in all States/UTs for efficient implementation of NFSA.*
7. *The Ministry may put suitable mechanism in place to ensure that States comply with provisions of the NFSA with regard to the grievance redressal mechanism and vigilance committees at various levels and ensure their effective functioning. It may also ensure compliance of the TPDS (C) Order, 2015 by collecting quarterly reports from the States/UTs.*

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