

**The ‘Last Mile’ Critique:  
Implementation and  
Accessibility of PDS in Delhi**



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## Abstract

Given widespread malpractices in Public Distribution System, several papers have been written discussing the feasibility of PDS, its market distorting mechanisms and alternatives to PDS. My paper wishes to deviate from the above and instead focus on the implementation of PDS at the state level. It focuses on the last mile delivery i.e. the process by which subsidised grains makes its way to the beneficiaries via the various Fair Price shops (FPS) and the challenges encountered in the process. This paper focuses on the implementation of PDS in Delhi. The major findings of the paper are: (1) Besides the broad categories of Above Poverty Line (APL), Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY), in Delhi the APL category is further subdivided in two tiers. (2) Obtaining a new ration card does not mean eligibility for drawing rations. (3) New ration cards are being issued despite minimal role played by them in drawing ration. This spills over several unintended inefficiencies to other schemes. Fourth, there are massive leakages in the system, which reduce the effectiveness of PDS. It is primarily because of lack of incentives with FPS keeper and low economic viability of the FPSs. Fifth, level of diversion faced by different groups differ. BPL and AAY card holders get most of their entitlement whereas a wide variation in entitlement can be observed for APL general stamped card holders. Sixth, vigilance mechanism is weak. There is possibility of a nexus between local politicians and FPS keepers which renders the vigilance mechanism ineffective. Seventh, despite widespread problems people choose PDS over cash transfers. This preference reflects that corrective measures are needed instead of completely scrapping the scheme and replacing it with other schemes. Lastly, current policy reforms are discussed and further recommendations are suggested.

## Introduction

Public Distribution System is among the most expansive policy initiatives of the Government of India. It began as a measure to ensure self sufficiency at the national level and went on to become a major food safety net for the poor. However, it was soon marred by various inefficiencies and malpractices which led to severe critic of the scheme. Several studies began questioning the feasibility of PDS in terms of its budgetary incidence, its market distorting nature and if free markets can play the role that is currently played by PDS. However, it is to be noted that various inefficiencies which are condemned by the opponents of PDS are not a result of faulty economic policy per se, but the unintended consequences arising from the implementation of the policy. Implementation of PDS is under the purview of the state governments. State governments vary widely in their performance with regard to PDS. This paper attempts to study the implementation of PDS in Delhi and discover the nuances that go into transforming PDS as a policy in principle to a policy that is in effect on ground. This paper doesn't comment on whether free markets are better than PDS. It assumes PDS to be given and instead restricts its analysis to the implementation challenges of the system and ways to improve it.

## Methodology

The effectiveness and challenges of PDS in reaching the masses has been assessed on the basis of personal and group interviews of ration card holders, conducted in circles 56, 57 and 58. These circles cover areas around Gharoli, Kondali, east Vinod Nagar, west Vinod Nagar, Khichripur, Kalyanpuri, Mandawali, Patparganjetc in East Delhi. Thereafter, interviews with Fair Price Shop (FPS) owner, the Food and Supply Officer (FSO), the Assistant Commissioner and the Additional Commissioner of the Dept of Food Supplies and Consumer Affairs, Delhi, have been conducted to obtain a holistic viewpoint on the challenges of execution and shortcomings of the system. This has further been supplemented by participation in the 'Bhagidari workshop' conducted by the Govt. of Delhi on 5<sup>th</sup> July 2012. Finally, a modest attempt has been made to suggest ways to make the system more effective.

## History of Public Distribution System

Public distribution system was first introduced during World War II in 1939, as a war-time rationing measure. Its scope was extended during the Bengal famine of 1943. However, by 1950's, the government had begun withdrawing from the grain market.

PDS re- gained its importance, as a major component of poverty alleviation and food security, during the food shortages and droughts of the mid- sixties. Droughts of 1965-66 caused India to be highly dependent on food aid from the US, which had adverse implications on India's foreign policy. Food and foreign exchange shortages led India to seek loans from the IMF in exchange of massive devaluation of the rupee that led to mounting inflation. Such a situation highlighted the need for self sufficiency during periods of shortage.

### Objectives of food policy

The need to disseminate high yielding varieties with the advent of green revolution in early 1960's, the importance placed on self sufficiency and the objective of ensuring low priced food to the consumers led to establishment of Food Corporation of India (FCI) and Agricultural Prices Commission (APC) in 1964-65. The food policy of India is primarily executed by procurement of food grains by FCI from the farmers at prices set by the APC<sup>1</sup>. (Gulati, Kumar et al, 2007)

The overall objectives of food policy in India since 1960's have been to

- i. Ensure reasonable support prices to the farmers.
- ii. Ensure consumer prices do not rise unduly.
- iii. Avoid excessive price fluctuations and reduce disparity of prices between states.
- iv. Build up sizeable buffer stocks of wheat and rice from imports and internal procurement. (GOI, 1965)

### Initial Challenges

Problems with food policy became prominent from 1980's onward. Issues like mounting costs, low accountability, urban bias, movement restrictions etc began drawing criticism. Liberal policy environment from 1990's and a series of influential studies led to liberalization of agriculture. Also, during late 1990's, world prices of cereals plunged downwards, in effect discouraging exports. This led to upward revision of procurement prices, much above the levels of recommendation by CACP, in an effort to protect the interest of the producer. At the same time, several studies suggested that

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<sup>1</sup> Since March 1985, Agricultural Prices Commission (APC) has come to be known as Commission for Agricultural Costs and Prices (CACP).

benefits of PDS accruing to the poor were almost negligible even when the food subsidy bill was mounting. This called for increasing efficiency in targeting and thus gave birth to the revamped PDS or the Targeted PDS (TPDS) in 1997.

### **Progression to Targeted Public Distribution System (TPDS)**

TPDS implied that now the universal population was sub-divided into Above Poverty Line (APL) and below poverty line (BPL), based on income criteria. Prior to TPDS, a universal PDS involved high errors of inclusion, meaning a large part of population which were not the actual beneficiaries benefitted from the subsidy. The process of targeting, however, involves large errors of exclusion wherein a substantial part of actual poor remain uncovered by the subsidy, simply due to an arbitrary process of defining what constitutes a 'poor'.

Thus, by 2000, there existed record high levels of buffer stocks as a result of higher procurement propelled by a high procurement price and lower stock used in disbursement under TPDS. Such a situation led to increased costs of maintaining buffer stocks. Moreover, it is very difficult to reduce high levels of buffer stock. This is because a huge buffer stock indicates to the farmers that in the near future, government would begin selling grains in the open market which would lead to lower prices in the future. The farmers find it more advantageous to sell their grain to the government at the prevailing MSP than to receive a lower price in the future. In early 2000's, a substantial portion of the buffer stock was exported abroad at half the cost of acquisition. Such a policy came under scanner by trading partners who challenged the legality of the process under WTO obligations. It was eventually scrapped in 2002.

By 2006, the situation prevailing until 2005 was reversed with buffer stocks falling at an all time low and subsequent concerns of missing the buffer stock norms set by the government. Market prices for wheat were well above MSP and imports of wheat were authorized in February 2006 (USDA-FAS).

As for the objectives of PDS, some of them have lost their importance as compared to others, for instance rationing at the time of shortages. Theoretically, price stabilization assumes a greater importance owing to integration with world markets. Also, food security in the backdrop of high levels of prevailing malnutrition and chronic hungers makes a strong case in favour of PDS. The actual effectiveness of the PDS however continues to receive criticism on grounds of inefficiencies and costs, and several studies call for greater role of private sector in the food market.

## Execution of PDS

The implementation of PDS varies across states. This paper studies the execution of the scheme in New Delhi. For the ease of administration, Delhi is sub-divided into 70 circles. Each circle corresponds to an assembly constituency. The total number of fair price shops (FPS) as in May 2012, were 2491 and the number of kerosene oil depots (KOD) were 2356. FPS distributes limited quantity of specified commodities depending on the kind of ration card. In the paper, fair price shops are used interchangeably with PDS shops.

The essential commodities that may be sold through PDS are specified by gazette notification from time to time<sup>2</sup>. Presently, the essential commodities distributed at subsidized prices via PDS include wheat, rice, sugar and kerosene.

### **Types of ration cards and their complexities**

There are 3 main types of ration cards- APL, BPL and Antyodaya Anna Yojana (AAY). AAY cards pertain to the 'poorest of the poor', those who cannot afford to purchase grains even at BPL prices. Anyone possessing a BPL or an AAY card is directly eligible for purchasing from the ration shops. However, a person possessing APL card becomes eligible for ration only if the ration card is stamped. Stamped APL cards are further divided into *Jhuggi* ration cards (JRC), Resettlement Colonies ration card (RCRC) and general stamped APL cards.

Each card has different quantities and prices that its holders are entitled to. Also note that all stamped APL cards are ineligible for purchasing sugar. In case of kerosene, the beneficiaries are confined to BPL, AAY and APL-JRC card holders. Also, if a family uses LPG cylinders in case of APL-JRC, BPL and AAY, it becomes ineligible for purchasing kerosene and is instead offered a subsidy of Rs 40/- on LPG cylinders.

Moreover, it needs to be stressed that a ration card pertains to a family. A family is defined as a group of people using the same stove to cook. This implies that a specific amount of grain is issued on one card irrespective of the number of family members. It is 35kg of grains that is given specific card irrespective of whether there are 10 members or just 2.

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<sup>2</sup>Food and supplies department, [www.delhi.gov.in](http://www.delhi.gov.in)

**Table 1 Card Wise Entitlement of Commodities, May 2012, Food and Supply Dept.**

Commodity	AAY		BPL		APL-JRC		APL-RCRC		APL-S	
	Qty	Rate								
	(Kg/Ltr)	(Rs.)								
Wheat	25.00	2.00	24.00	4.80	25.00	7.05	25.00	7.05	18.00	7.05
Rice	10.00	3.00	10.00	6.30	10.00	9.25	10.00	9.25	4.00	9.25
Sugar	6.00	13.50	6.00	13.65	0.00	0.00	0.00	0.00	0.00	0.00
Kerosene	12.50	14.83	12.50	14.83	12.50	14.83	0.00	0.00	0.00	0.00

### Obtaining a Ration Card

In order to obtain a ration card, a person needs to fill in a prescribed application form and submit it to the circle office, along with certain other supporting documents. As per the food and supplies department of the Delhi government, a ration card is issued within 45 days from the submission of the completed application and supported documents. Two main supporting documents include an address proof and an identity card.

On the basis of personal and group interviews, it was found that provision of these documents prove to be the primary hindrance. The problem accentuates in case of being a tenant, something which is widespread among poor. Documents characterised as an address proof include either a Non Objection Certificate (NOC) from the landlord, a rent receipt or an attested copy of bank statement giving the address of the current house. Most tenants do not receive a formal rent receipt or have an account in either a bank or a post office.

Also, landlords are reluctant to give a NOC due to fear of illegal capture of the house by the tenant. This fear arises from the fact that a ration card itself acts as an address proof. Landlords are fearful, in case the ration cards of the tenants bearing the address of the landlord's home be used to furnish as an evidence for inappropriate authority.

In case none of the supporting documents are available, the area inspector can obtain certificates from any two neighbours stating that the concerned person resides at the address mentioned in the form. However, this entire process is tedious and involves inefficiencies in form of time and bribe.

Several people resort to middlemen or *dalal* while making ration cards, in order to save time (in several cases this translates into giving up wages for several number of days) and effort. In many cases the FPS owners themselves act as middlemen. These *dalals'* act as people friendly interface to the circle offices. They charge anywhere between Rs 1,500 and Rs 4000. In contrast,officially the entire process of obtaining a ration card sans the middlemen and bribe involves only a one-time non refundable fee of Rs 25. The resort to the services of the *dalal* generally reflects the inaccessibility of circle offices to the common man.

### **Stamping of APL Ration Cards**

Once a person obtains a ration card, the story does not end there. In case of an APL card, it may be that he becomes an APL card holder, but to have the APL card stamped and eligible for drawing ration is something out of his hand. The last year when the ration cards were stamped was in 2008.

*What rationale lay behind beginning this policy of stamping APL ration cards?*

According to government sources, the quantity of grain being allocated by the central government was too less to be distributed to every APLhousehold. Allocation per card to APL households was insignificant. Therefore, the Delhi government further divided this category of APL cardholders into households holding APL unstamped cards and households holding APLstamped cards. People with APL stamped cards have an annual income of less than or equal to one lakh whereas those with APL unstamped cards have an annual income greater than 1 lakh. In Delhi, only those who hold APL stamped cards, that is households earning below or equal to an annual income of Rs 1 lakh are eligible for drawing ration. Many households who were part of the PDS scheme earlier, and were later excluded since their cards were not stamped, areunaware of this policy and are waiting endlessly to get their APL cards stamped, hoping to be a part of PDS once again.

As for BPL or AAY cards, they are not issued all round the year. They are issued only when government releases a notification or a scheme regarding issue of new BPL/AAY cards. Thus when people think of applying for a ration card, what they effectively receive are unstamped APL ration cards which do not make them eligible for subsidized ration.

## Misuse of Ration Cards

Despite the minimal role played by newly issued unstamped ration card in guaranteeing subsidized food, people continue to file applications for new ration cards. This reflects the fact that ration card which was primarily to implement the PDS has begun to play roles other than just a tool to access subsidized food. It is popularly used as an identity card as well as an address proof. Several important policies acknowledge ration card as an identity proof. This leads to certain unintended inefficiencies as explained below.

### Government Funded Pension Schemes

According to government sources, the officials receive several requests to change the date of birth mentioned in the ration cards, so that people can become eligible for pensions much before they are actually due.

### Relocation and Rehabilitation Policy

The Delhi Urban Shelter Improvement Board (DUSIB) undertakes schemes for construction and provision of free housing to people who live in '*Jhuggi- Jhopri*' and other unauthorized residential areas. Ration card is a very important document in the process of allocation of homes. It acts as an address proof. In fact, the Food and Supply Officer (FSO) is a member of the committee which prepares and approves the eligibility list. He is primarily responsible for validating the ration cards of the applicants. In most schemes, households possessing ration cards issued on or before 1998 are seen as intended beneficiaries. Many FSOs' get requests for either change in the dates mentioned on the ration cards or approval of the ration cards irrespective of the date. In many cases, FSOs' get requests for approving bogus cards i.e. ration cards which are possessed by ineligible persons. Take for example, a person who purchases a ration card issued to another person. By law, ration cards are not transferable. However several people at the time of purchasing a particular house in a *jhuggi* also try and purchase ration cards of the previous owner which pertains to the particular address. Using these purchased ration cards they seek to become eligible for relocation homes provided by DUSIB. Since validation of the ration cards lie with the FSO, these ineligible people use several means ranging from bribery to pressure from local political leaders, to get the ration card validated.

Thus, the use of ration cards for purposes other than distribution of subsidized grains tends to create vested interests among the common man and the officials. It breeds a culture of corruption and leads to development of methods used to circumvent the law.

## Problems Faced By Card Holders

There are one set of people, who possess ration cards which cannot draw ration at all. Then there are another set of people who are 'lucky' enough to receive ration on their cards. The effectiveness and challenges of PDS in reaching the masses is assessed by the latter set, people who are eligible for drawing ration.

### **Absenteeism of the PDS shopkeepers**

The most persistent problem faced by card holders' deal with absenteeism of the PDS shopkeepers. PDS shops are supposed to work Monday to Saturday from 9am to 1pm and 3pm to 7pm. However, in most cases shops are open for not more than 10 days in a month. Some of them are opened for as less as 2-3 days in a month and for time as less as 2-3 hours on these days. There is neither a stipulated date nor a fixed time. Each PDS shop handles about 1000 cards. Such a short time for purchase leads to several beneficiaries being denied access to purchase subsidized grains. Also the fact that card holders are not informed about the opening of the shops, entail them to make futile visits to the shops almost every day, just in case the shop opens and they miss the opportunity. This adds to their transportation costs and cuts into the subsidy they effectively receive.

### **Lack of Incentives of PDS Shopkeepers**

PDS shopkeepers are inefficient partly since fair price shops are economically unviable. The commission received by PDS shopkeepers amount to Rs 35 per quintal of grain i.e. 35 paisa per kg and 18 paisa per litre of kerosene. This amount has not been revised since 1995. As per a fair price shop owner, this unchanged commission in a period of steeply rising prices is the sole motivation behind diversion of PDS grains and other illegal activities undertaken by the PDS shopkeepers. The problem is further accentuated as PDS shop owners bear the cost of storage, transportation cost from central godowns to their shops plus the added cost of hired labour, all of which have been rising over time.

### **Ways of Diversion**

It is interesting to look into ways by which PDS shop keepers divert subsidized grains meant to be distributed under PDS, in the open market. One way is to give lower quantity or charge a higher price. This is primarily done by not maintaining proper records. For instance, a ration card has two columns- one for date of purchase and the other for quantity purchased. None of these columns are appropriately filled by the shop owner. In most cases the shop owner simply signs the ration cards. Also, the shop owner is supposed to maintain registers with entries corresponding with that of the ration cards. Now, a shop owner may sell only 30 kg of grain instead of 35 kg and make an entry of

35 kg in his register, thus indicating that the entire amount is sold to the consumer when in reality he has siphoned off 5 kg of the quota. There is no way to cross verify the registers with the ration cards since the details are not filled in the ration cards at the first place. Also, it is easy to fool majority of the customers as shop owners act as the primary source of information for them. In most cases, it is he who decides what quantity is sold and passes it off as the government's decision.

In order to sell the grain that the PDS shop owner has siphoned from the customers participating in the PDS and selling it in the open market, the shop owner either needs to maintain bogus registers or sell to miscreants possessing bogus ration cards. Bogus registers refer to wrongly filled registers which show that quota of each card has been fully sold to the card holder, whereas in reality the shop owner still has a stock of grain remaining with him. Using bogus registers, a shop owner shows his previous stock to be zero, so that he is eligible for again purchasing the same amount of grain from the government that he did in the last month, while selling the siphoned stocks of grain in the open market. In certain areas of Delhi like Vasant Vihar, where participation of card holders is relatively less as compared to other parts of the city, a major part of diversion takes place through bogus registers.

In addition, sale on bogus cards represent sale of PDS grains to illegitimate persons at prices lower than market prices but higher than PDS prices, thus giving the shopkeeper a margin for profits. Another way often employed by shopkeepers is by changing the PDS grain with inferior quality grain, thus selling the better quality PDS grains in the open market while selling poor quality grains to the ration card holders.

Further, it is interesting to note that most of BPL and AAY card holders were receiving their entire entitlement of 35 kg grain and 6 kg sugar on a regular basis. However, most of the variation in the quantity of grains purchased was found to be on APL general stamped cards. Probing further, I realized the reason to be that even though government entitles APL general stamped cards to receive 35 kg of grain, it is not a promised quantity. It is their maximum entitlement. The quantity they receive depends on the amount that is left after distribution of 35 kg grain to each BPL and AAY card. Their minimum entitlement is supposed to be 22 kg.<sup>3</sup> This implies that the grain that is entitled to APL general card holders keeps varying. This is a potential source of leakage. The shopkeepers take advantage of this situation by fixing this quantity at the minimum (in many cases below

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<sup>3</sup>Food and Supplies Department, Delhi;  
[http://delhi.gov.in/wps/wcm/connect/doi\\_food/Food/Home/Public+Distribution+System/](http://delhi.gov.in/wps/wcm/connect/doi_food/Food/Home/Public+Distribution+System/)  
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minimum) and passing it off as the government's decision, while siphoning of a part of the actual entitlement.

### **Vigilance and Enquiry**

The accountability mechanism primarily comprises of grievance redressal. A person can lodge a complaint in the food and supplies department of the Delhi Government. An enquiry is undertaken by the department. In case a discrepancy is found with the PDS shop, the shop is temporarily suspended. Further if the malpractice involves more than 50 kg of grain, an FIR is lodged with the Delhi police under Essential commodities Act, 1955.

However, on the basis of interviews it was found that most people were resistant to lodge complaints, fearing hostility of the PDS shop keeper and the fact that he may stop selling grains to them in future in case of inaction.

Other than this, there is a circle vigilance committee comprising of food inspectors, headed by the MLA of respective circle. This committee is responsible for surprise checks on the fair price shops. However, the effectiveness of this committee is doubtful, given the widespread level of irregular practices. With this respect, there is also an incentive of PDS shopkeepers to be in good books of the local politicians, wherein a PDS shop keeper may help in garnering vote banks for the politicians since he is in routine contact with a large number of card holders. This hints at a probable nexus that might exist between PDS shop keepers and the local politicians which render the circle vigilance committee ineffective.

Thus, it is primarily the weak mechanism of accountability and transparency which has led to under performance of the scheme in reaching out to the primary beneficiaries. In a way, the middle strata in the hierarchy of stakeholders comprising of the circle officers, the local politicians, the food inspectors, the PDS shop owners etc have come to enjoy pseudo power which is exercised on the final beneficiaries which suggests that what they receive is not their right or entitlement but a mere donation from the hands of the powerful.

### **PDS: To Be or Not To Be??**

The problems with the scheme led me to question whether the scheme needs corrective measures or needs to be scrapped and replaced with a new scheme altogether. I brought the debate to the primary beneficiaries and questioned their preference over PDS and cash transfers. Cash transfers

refer to direct transfer of cash in bank accounts of the beneficiaries and leaving the food market to operate freely without government's intervention.

Surprisingly, the respondents chose PDS over cash transfers. They disapproved of cash transfers since they feared that the amount they received in cash would be spent on other non-food commodities. Particularly, the womenfolk were sceptical that it would be spent by their husbands on liquor. Another argument against cash transfer was that the amount of cash transferred would not be increased in line with rising prices. This would in effect reduce the amount of money they effectively received. Thus, they preferred PDS as it brought grains to their households, however little a quantity it may be. Also to be noted is that presently several households do not have accounts in either banks or post offices, where in they can receive cash.

In a way, the preference given to PDS reflects that even though it does not eradicate hunger or absolutely guarantee micro level self sufficiency, it does play an important role in augmenting the consumption of food in a substantial number of poor households.

However, in the total no. of people interviewed there was one 60 year old lady who chose cash transfers over PDS. She argued that she had to make multiple trips to find an open ration shop. The time and transport cost plus the cost of getting the wheat grinded eventually converged the prices of the subsidized grains to open market prices. At least cash transfers would save her the effort. This argument again brings to the front the ills that plague the system. What is needed is not to scrap PDS but to take corrective measures towards a reformed PDS.

## Policy Reforms and Recommendations

Presently, corrective reforms are guided by several initiatives of the Food and supply Dept. of Delhi Govt. Some of them are:

**SMS alerts:** The food and supply dept. sends sms to all the beneficiaries who have registered their mobile numbers, informing them about the delivery of grains from the central godowns to their respective PDS shops. This allows them to be informed about the time of delivery and to estimate the timing of distribution accordingly. Also, it makes the PDS owner accountable to the people, at least with regard to delays in distribution. The sms can be received by anyone in general public as well. All they need to do is register their mobile numbers on the food and supply department's website. This increases public accountability and allows other institutions like NGOs to monitor the performance of a particular PDS shop.

**End to end computerisation of PDS:** The food and supply dept. has taken to computerisation for integrating all its stakeholders on one portal. The main objectives include authentication of beneficiaries, easy access to information by the beneficiaries via their website and through sms and improvement in internal administrative efficiency. It is based on a single unified information system inclusive of 7 modules. An example of a module is ration card management module which prepares, manages, links/de-links card to FPS and activates/deactivates cards. Similarly, there are 6 others such as food grain allocation module, sms module, FCI release order module etc<sup>4</sup>.

**“Kerosene Free” Delhi:** The Delhi govt is all set to launch its new scheme on Aug 15, 2012 which entails provisioning of a filled LPG cylinder, regulator, an ISI marked gas stove having two burners and a rubber tube to approximately 3.56 lakh poor families, belonging to BPL, AAY and APL-JRC. This is a step towards making Delhi the first kerosene free city in India. This scheme has been launched in light of the fact that much of the subsidized kerosene did not reach the poor and was diverted to the black market.<sup>5</sup>

Augmenting the efforts of the department, there are few other recommendations which can be implemented to further strengthen the system and ensure delivery of the scheme to the intended beneficiaries. These are as follows:

**Shift towards a system of per head entitlement:**As mentioned above, every stamped card is entitled 35 kg of ration irrespective of the number of members in the family. A family with 10 members draws equal amount of ration as a family of 2. Thus, effectively per head the larger family gets 3.5kg whereas the smaller family gets 17.5 kg per head. Thus, a mechanism which ensures equal distribution per person would help in increasing micro level self sufficiency without subsequent rise in budgetary incidence. It would also discourage smaller families from lending their excess ration to unintended beneficiaries.

**Fixing the quantity entitled to APL stamped general cards:** As seen above, one potential source of variation in the amount of grains received by people occurred because APL stamped card holder was given the amount that was left after distribution to the other eligible ration cards. The minimum which was guaranteed was 22 kg of ration. This led some of the PDS shopkeepers to fix the quantity at 20 kg (below minimum) and sell the same to the APL stamped card holders for a fairly long time, without giving them any hiked quantities that was supplied by the government periodically. Any hike in quantity rarely reaches the actual beneficiaries. In some areas like Gharoli and Kondali, APL

<sup>4</sup>Source: Food and Supply Dept, Delhi government

<sup>5</sup> Source: Participation in Bhagidari workshop, Economic times:[http://articles.economictimes.indiatimes.com/2012-06-20/news/32335972\\_1\\_lpg-cylinder-subsidised-kerosene-aay-families](http://articles.economictimes.indiatimes.com/2012-06-20/news/32335972_1_lpg-cylinder-subsidised-kerosene-aay-families)

stamped cards received just 20 kg of grain from the shopkeepers whereas at the same time in other areas like Mandawali and Khichripur people received 25kg of grains on their APL cards.

It would be a good idea to guarantee a fixed quantity to APL stamped card holders at a level which can realistically be supplied by the government, even if it is lower than 35kg. This way people are aware of what they are entitled and PDS shop keepers cannot siphon any increase in quantity.

**Packaging of grains in smaller denominations:** Presently, grains are packed in sacks of 50 kg which is opened and redistributed by the PDS shop keeper to respective persons. Here, a shop keeper may choose to weigh less grain or mix the grain with impurities. However, if grains can be delivered in packets of 10 kg and 5 kg, then 35kg grain can be sold to the consumers in sealed packets without any intervention by the shopkeeper. This would help in checking diversion. The system can be strengthened by introducing bar code tagging, similar to what is often used in bigger retailing outlets like Big Bazaar or Easy Day.<sup>6</sup>

**Revision of PDS shopkeepers' commission:** As mentioned earlier, the primary motivation behind diversion and indifference stems from a low commission earned by the PDS shopkeepers. The problem increases as it is illegal for them to pursue any side business e.g. wheat grinding operations (*chakki*). They may only sell 10 other items, besides wheat, rice and sugar (essential commodities) in their shops. These items can be sold at market prices and includes dal, spices, ghee, vanaspati, candles, soaps, toothpaste, cold drinks, salt, and refined oil. The low commission and a small number of market priced commodities render the PDS shop economically unviable.

It's been 17 years since 1995 when the last time PDS shopkeepers' commission was increased. It is strongly recommended that commissions be increased, matching with increasing price level and the rising costs. Since prices and commissions are decided by the central government, it is upon the central government to look into the same.

**Increased decision making power to the states:** It may be a good idea to evolve a system where the state governments have power to decide the essential commodities for distribution, their prices and commissions for PDS shopkeepers. Presently, procurement of grains, distribution of grains to the states and, fixing prices and quantities is under the purview of the central government. The state government has a minimal role in decision making, its job mainly limited to good implementation of the scheme. It would be worth considering decentralisation of procurement which can save huge transport costs. Also, state governments are better equipped to judge regional consumption pattern, for instance they may choose to introduce coarse grains like *bajra* or *ragi* if poor people in a particular state consume that in substantial amount. Finally, the cost of living varies across different parts of the country. Therefore, setting variable prices and commissions taking into account state

<sup>6</sup>MananVyas; <http://www.mananvyas.com/ideas/how-to-feed-the-poor/>

level variations in standard of living instead of fixing uniform prices and commission for the entire country may lead to better disbursement of food subsidy by the central government.

**Use of existing technologies:** Use of GPS in trucks transporting grains from godowns to PDS shops, biometric verification at the time of purchasing grains, biometric entry and exit of PDS shop keepers etc are some ideas which can be used to strengthen vigilance and accountability by reducing human dependence for the same.

Finally, it is important to de link ration card from other schemes and restricts its usage for the purpose of drawing ration. This would call for stopping the issue of unstamped ration cards which are mostly used as identity cards and address proofs. Rejection of ration cards as identity cards and address proofs would strengthen the system by substantially reducing incentives for corruption and bribery.

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