



Bharatiya Janata Party



The Difference that We Made

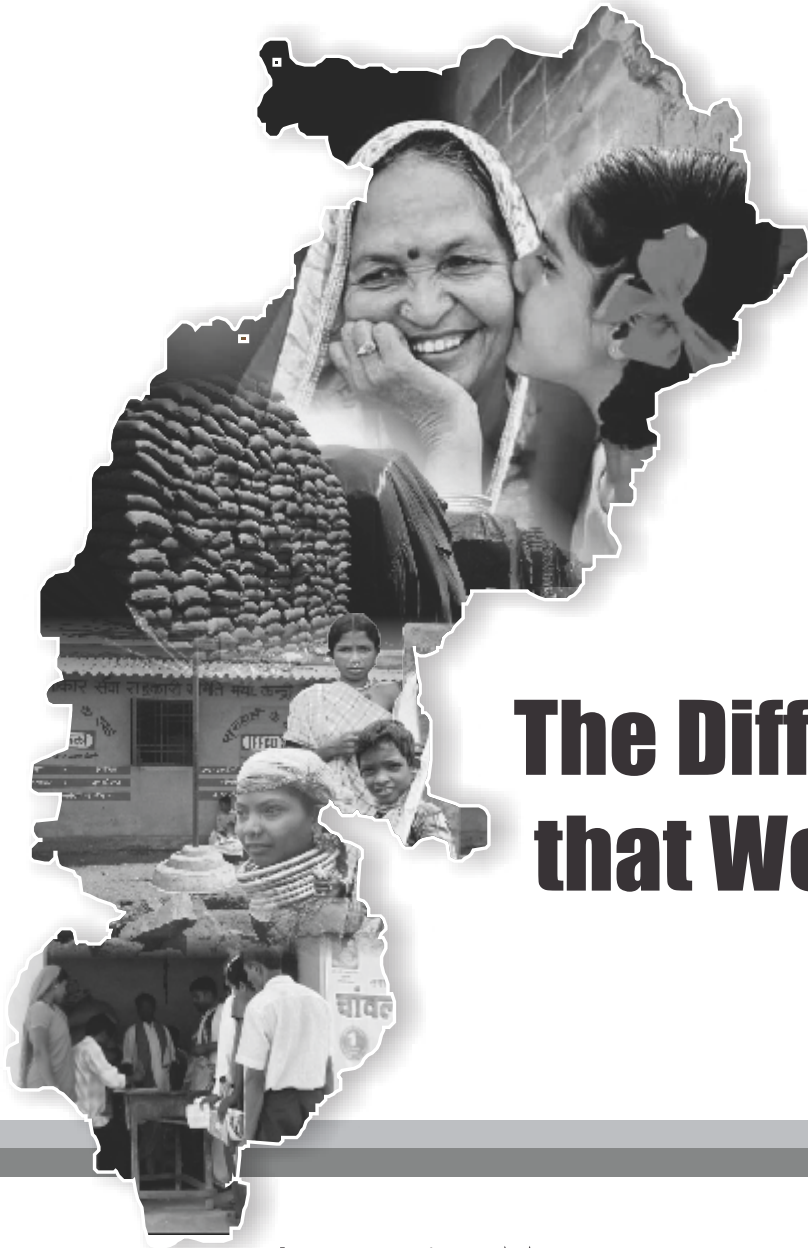
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Innovative Management of
Public Distribution System in Chhattisgarh

- Shikha Tyagi



Bharatiya Janata Party



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Public Distribution System in Chhattisgarh

- Shikha Tyagi

A BJP Good Governance Cell Publication

BJP - Good Governance Cell

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FOREWORD

I am happy that the Good Governance Cell of the BJP has decided to publish a series of monographs under the title "The Difference that we made", and this particular monograph is the inaugural publication under the same. I am also happy that we are touching upon the vexed issue of efficient Public Distribution System through this monograph.

Today India is one of the fastest growing economies in the world, projected to be the second largest economy in the world in a few years. Some of the richest men in the world are Indians. Over 200 million Indians have tremendous purchasing power. That makes India one of the largest markets in the world.

But the stark reality is that there are sections who continue to be deprived. By a conservative estimate, over 50% of Indians are starving, not being able to have one full meal a day. Some estimates put it at 78%. Over 50% of children have never been to a school. Millions of children die every year before attaining the age of one. In the UNDP human development index, India is almost right at the bottom.

India attained independence after a long drawn out struggle. There was faith that once we govern ourselves, we would be able to provide a dignified human life to its millions. In fact, the Constitution of India spelt out in clear terms what were the fundamental rights of the citizen. Right to life was the most fundamental of these rights. Right to life begins with the right to food. 63 years later, where are we?

Faced with these stark realities, Chhattisgarh government decided to set the system right. They decided that their primary responsibility was to feed its citizens, even though Chhattisgarh was one of the most backward States in India, with hardly any infrastructure. From nothingness, Chhattisgarh created a dream- it built the best Public Distribution System for food for the poor in the country, probably the best in the world. The Planning Commission of India, as well as the World Bank, have complemented Chhattisgarh Government for the great transformation. This monograph tells the story how it was done.

For PDS to be 100% effective, the Maoist menace has to stop. Still there are logistics problems in some areas with the Maoists trying to disrupt the system. The Central Government needs to tackle the Maoists issue more effectively.

We have over 50 political parties in India with some presence in the Parliament/Assemblies. We hardly hear any of these political parties talking about good governance. BJP is perhaps the only party in India that has a functional cell dedicated for Good Governance. BJP also wants Good Governance to become the main plank of its politics.

BJP believes that whatever good is done by anyone, anywhere, must be replicated so that every Indian can have a full meal at the end of the day, every child born can live and get educated and eventually contribute to making the India a happy place to live in. My party would be most happy to replicate good governance practices from any corner of India, irrespective of which political party is in power there. Let us hope that today ushers in a new political culture.

Foreward

We intend to bring out a series of monographs on good governance. This is the first of the series. Let us hope that the Chhattisgarh model is replicated in as many states as possible. I congratulate the Good Governance Cell in the BJP for bringing out this meaningful document. This is the beginning of big things that are going to happen.

Nitin Gadkari
President,
Bharatiya Janata Party
December 1, 2011

INTRODUCTION

It is predicted that India will become the second largest economy in the world in a few years. However, sixty three years after independence, more than half the people of India are starving. They cannot even afford one full meal a day. In 2010, World Bank estimated that India ranked 2nd in the world in the number of children suffering from malnutrition. 43% of children under the age of five suffer from malnutrition, as compared to 7% in China and 28% in Sub Sahara Africa. This is a national shame. A nation's primary sovereign duty is to ensure that at least the basic necessities of life are provided to the last citizen out there. Here the last citizen out there comprises more than 50% of India. No nation has ever survived with so many starving people. Over two million children dying before the age of one is an indicator of the magnitude of the problem. No one will deny that the least a democratic government can do for its people in a civilised society is to ensure access to food, at a reasonable price. Ensuring food security is therefore the fundamental responsibility of the State. And for this, an efficient and effective mechanism to reach food to all people, at all times, at affordable prices, is a prerequisite. It is also the most effective and legitimate way to seek votes for coming to power. Power is the weapon to bring about change.

The Public Distribution System (PDS), has been intended to be the mechanism by which those who cannot afford to purchase food through the market mechanism were to be provided the necessary food grains to lead a healthy life. However the mechanism has failed miserably in most parts of India.

The Planning commission of India requested the World Bank to do a detailed study of its flagship welfare schemes for the poor. The World Bank submitted a two volume report in 2011, titled SOCIAL PROTECTION FOR A CHANGING INDIA. The report says that though India's social sector spending is higher than many other countries, one of the flagship welfare programmes, the Public Distribution System (PDS), is fraught with leakages. The PDS covers approximately 25% of the population and consumes about 1% of the gross domestic product. However, only about 41% of the food grains released reach the people, according to the 2004-05 national sample survey. 59% vanishes on the way. For many years, over 90% of the food grains supplied in Bihar were disappearing into thin air; situation in Bihar has changed now for the better.

The World Bank report further said that apart from leakages, the PDS also suffers from an ill conceived procurement system and a minimum support price system, which has not helped the farmers or increased productivity.

Under the above circumstances, the World Bank has concluded that PDS has not served the purpose for which it was set up and suggested that it would be better to replace the PDS with something like a direct cash transfer system, so that the targeted group gets the benefit.

However, the World Bank study was all admiration for the public distribution system in Chhattisgarh. The Government of Chhattisgarh has proved that if there was the will and determination, the system could be made to work. Sheer dogged determination paid off. Today Chhattisgarh PDS is a global example of how things can be made to work, even in a tribal state where very little infrastructure exists, either in terms of road net work or information technology.

Introduction

We would like the public at large, irrespective of political affiliations, to react to this document. Do you have any suggestions to improve upon the Chhattisgarh model? Do you have other replicable good governance experiments in your State? We would like to incorporate your ideas in the future series. Please do write to us at the following address :

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ACKNOWLEDGEMENT

The Good Governance Cell is thankful to Shikha Tyagi, who after an on the spot study of the PDS System, prepared this monograph. She travelled extensively in Chhattisgarh getting a first hand knowledge of the system. She is a Corporate Vice President, based in Delhi. She is an example of how corporate executives also can participate in some on-the-spot socio-political study project. Enamoured by the BJP President Nitin Gadkari's appeal to the young executives, one fine morning she walked in the BJP President's Office and expressed her desire to work for the Good Governance Cell. Later this documentation-project got under way.

Manohar Parrikar
Convener
Good Governance Cell
Bharatiya Janata Party

AUTHOR'S NOTE

Filled with anguish at the sight of a helpless farmer couple struggling to deal with not so helpful bank staff at my village bank, I wondered about our delivery mechanism. Wrinkled faces on tired body of the couple are still so vivid in my mind.

In spite of some of the best welfare schemes designed, their delivery to the end beneficiary has been a challenge. We still have millions of fellow countrymen sleeping on empty stomach every night. Systems and processes made at the time of freedom seem to be inadequate to meet the challenges posed by population explosion in resurgent India. In the age of information technology, expectation is of an efficient and transparent delivery mechanism.

It was with a wish to add value to delivery system that I approached Mr Nitin Gadkari. I had read that he had made the blue print for connecting India with Bharat. That it was done more than ten years ago gave me confidence in his sincerity and commitment to the needs of rural areas. I also feel that politics is the most effective instrument through which genuine good can be done for the people.

I was pleasantly surprised when he talked about his interest and focus on good governance. He also talked about his team's working on Party's Vision for India.

Frankly, I had not expected this kind of an approach from a political party. Certainly not a discussion on the mentioned lines! He asked me to choose the area of my choice and promised to facilitate my working in that.

Mr Gadkari introduced me to his political associate, Dr Vinay Sahasrebudhe. As the name suggests, Vinayji's mind equals thousand minds! They were early days of Mr Gadkari's Presidentship. That was also perhaps one of the reasons that I could meet him!

Vinayji talked about Millennium Development Goals of United Nation for member countries. He also mentioned that in Sept 2010, UN had discussed various successful models of governance by which member nations had achieved different goals. With this backdrop, we decided to work on prevailing models of good governance in the country.

It is my belief that a nation can not progress on empty stomach of its citizens. Therefore, primary responsibility of any State is to ensure access to food at affordable prices to its citizens. Public Distribution System (PDS) is the instrument by which State ensures availability of food to poor. Chhattisgarh was in news for having the best PDS in the country. From Planning Commission to Supreme Court, every one was highly appreciative of the giant leap State had made on PDS. We decided to document their PDS in a manner that it could be replicated in other States.

My rural background and experience in distribution helped me in understanding finer parts of integrated food supply chain that the State has created. Besides PDS process and computerisation, I also found that State's Paddy Procurement Process has no parallel in the country, a fact hardly known outside the State.

Best of the FMCG distribution networks and systems paled in front of what State had achieved in PDS. I was astonished to see such perfection in government functioning where incentives and motivational factors are none and interferences to pull back from doing any good are in plenty.

Author's Note

I was more attracted towards Paddy Procurement Process. It has far reaching implications on rural economy. It has the potential to take up agriculture's contribution in national income. If the FCI decides to replicate the process across the country for procurement of agriculture produce on a sustained basis, number of people Below Poverty Line will come down drastically and after a while Targeted PDS may not remain relevant. Such is the potential economic power this procurement process has.

It was heartening to see diversity at work doing that which has hitherto been a male bastion. Whether it was as quality control personnel to ensure quality of rice received from Millers or managing the fleet of trucks, all despatch and receipt activities at SCSC warehouses being managed by women, or operating computers and ensuring flawless implementation of processes by young men belonging to disadvantage sections of society, inclusive approach of all sections of society was a humbling experience.

Chief Minister Dr Raman Singh's belief in Annapoorna(food) for all is what had led to this exceptional process of PDS. Whether it was State beurocracy or PDS beneficiaries or farmers, all expressed their praise for Dr Raman Singh. During an interaction he told me that during public interaction, the first thing he enquires is when did the person got his ration, what quantity and at what price. It was the political will at top which has sustained the processes. Another sense that I got was that left to themselves, an honest beurocracy can come out with marvellous solutions. Nothing would have been possible without NIC team which has done a wonderful job. Sheer scale of computerisation is mind boggling.

My take home from Chhattisgarh visit is that political will at top can turn around the whole system.

I cant help noticing that in the World of 2Gs and CWG, we do have Oasis of an honest political class.

My special thanks to Mr Prasoon Tiwari for helping me in formatting and editing the document.

My heartfelt thanks to State functionaries without whom, this monograph would not have been possible. My thanks to Mr Pant, State Food Secretary for facilitating the entire study, Mr Rajeev Jaiswal, Jt Director Food, Mr Kaushlendra Singh, MD State Civil Supplies Corporation, Mr C M Chandrakar ,Nodal Officer for systems and processes, Mr Sanjay Dubey, Asstt Food Officer. Ms Harsha, Director, State Public Relations Officer for smooth coordination with which I could work.

I am extremely grateful to Dr Sahasrebudhe who mentored me to present what is being presented as Monograph. My thanks are also due to the team of Good Governance Cell, especially to Dr. Sushma Yadav of the Indian Institute of Public Administration (IIPA) and K J Alphons, former IAS Officer and BJP functionary.

I am indebted to Mr Nitin Gadhari for believing in me and thus giving me the opportunity to be part of this historic moment.

Sincerely

Shikha Tyagi

PUBLIC DISTRIBUTION SYSTEM - A Prespective

In the context of National Food Security and poverty alleviation, it is essential to look at the efficiency and efficacy of Public Distribution System (PDS) which has been operating for decades now.

British government started the first structured PDS of cereals in India at the time of World War II through rationing system - sale of fixed quantities of ration to entitled families (ration card holders) in select cities and towns. The Department of Food was created in India in 1942 to co ordinate the arrangement. When the war ended, British, like many other nations, abolished the ration system in 1943.

Later in the face of renewed inflationary pressures in the economy, govt reintroduced rationing in 1950. Govt retained public distribution of food grains as a deliberate social policy, when it embarked on the path of planned economic development in 1951.

Creation of Food Corporation of India and Agriculture Price Commission in 1965 consolidated the position of PDS. Government was now committed to announce a minimum support price for wheat and paddy and procure quantities that could not fetch even such minimum prices in the market. Food grains thus procured were to be used to maintain distribution through the PDS with a portion used to create and maintain buffer stocks. Procurement became an integral part of distribution chain.

PDS was sustained as deliberate social policy of the Government with the objective of:

- Providing food grains and other essential items to vulnerable sections of society at reasonable (subsidised) prices.
- Having a moderating influence on the open market prices of cereals, the distribution of which constitutes a fairly big share of the total marketable surplus and ensuring equity in the matter of distribution of essential commodities.

In short, PDS, from mere rationing, had evolved into an instrument of National Food Security. Its first biggest success was said to be overcoming the 1987 drought, considered to be the worst in the century, with dignity and effectiveness. This established it as an effective instrument of delivery too.

The first ministry level evaluation of distribution system was done in 1991 which, pointed out some shortcomings of the instrument. Some of them were its ineffectiveness in reaching the poor and its marginal impact on income transfer to poor households.

Post the evaluation, PDS was reformed by changing its universal character and targeting it to the really poor and deserving. Accordingly a Targeted Public Distribution System was set in motion in July 1997 to directly and effectively benefit those who were "Below Poverty Line" (BPL).

TDPS was made a joint responsibility of GOI and State/UT with following responsibilities:

GOI (central pool of food grains):

- Procurement and Storage
- Maintenance of buffer stock,
- Transportation up to principal distribution centre of FCI and bulk delivery to States and Union Territories,
- Allocation to States and UTs

Public Distribution System - A Perspective

States/UT:

- Storage in State/UT godowns,
- Transportation to FPS,
- Distribution to ration card holders in FPS,
- Licensing and supervision of FPS,
- Identification of AAA and BPL families,
- Issuance of ration cards to eligible families,
- Eliminating leakages and ghost ration cards

However, the experience with TPDS since its inception shows that even this has failed to deliver desired results. Supreme Court appointed Wadhwa Committee point out a number of issues that make the PDS a corrupt and inefficient system. Among the issues these reports raise include corruption because of the presence of middle man at all stages such as private storage agents, transporters, millers and so on, who are in nexus with the politicians and bureaucracy resulting in the leakages of food grains meant for the PDS into the open market even before it reaches the village Fair Price Shop. To tackle this problem the report rightly suggests that we should move towards direct doorstep delivery of food grains to the FPS by the government. For this, the government will also have to create the infrastructure for adequate storage and transport facilities at as decentralised a level as possible.

The report also raises the issue of corruption at FPS level which has been linked to, among other issues, the viability of FPS which has taken a hit especially after the introduction of TPDS system which decreased the scale of grains and number of beneficiaries.

Most of the States still are struggling to find solutions to the challenges posed by existing systems in PDS. They are trying to address some of the PDS ails in parts. None of the States have so far evolved a holistic process involving both PDS and procurement.

While some States have made an effort to bring in some innovations or systemic application in some measure in the area of PDS, procurement process has not seen much progress by any State.

It is in this backdrop that State of Chhattisgarh completely overhauled the PDS, taking it to Gram Panchayat level to the use of technology in inventory management and allocation. State computerised whole food grain chain from procurement of paddy at 1589 purchase centres to transportation of PDS commodities to 10465 FPS outlets for further distribution to 3.7 million card holders, covering six different organisations. As an outcome of the project, 32 lakh farmers have received system generated cheques without any delay. Citizen participation has been increased in monitoring of PDS.

This has been possible because of political commitment and the passion and dedication shown by entire chain of State functionaries and the public. The ownership of the process is felt as much by the data entry operator at any of the centres, as by the top leadership. An interesting side to the whole process is that each role holder has a specific task assigned to him and all role holders, though independent bodies have online connectivity with each other. All roles are inter related and dependent on each other. In all six different organisations have been involved in the whole process.

Public Distribution System - A Perspective

Seeing the success and effectiveness of Chhattisgarh model of PDS, States of Bihar and Andhra Pradesh have decided to go for computerising of their food grain supply chain.

An attempt has been made in the following chapters to capture salient features of innovative management of food supply chain in Chhattisgarh.

CHHATTISGARH - an Overview

Area	135100 sq. kilo meters
Capital	Raipur
Population	176.15 Lakhs.
Languages	Chhattisgarhi, tribal dialects and Hindi.
Climate	Chhattisgarh State is situated in Tropic of Cancer. Hence the overall climate is warm in the State. The monsoons are heavy between July and September in this region.
People	The people of Chhattisgarh constitute a mixed population with people from the neighbouring states who migrated into the State in search of work. Still the majority of the people of Chhattisgarh belong to tribal communities. The major tribal groups of Chhattisgarh are the Gonds, with the other smaller tribes like the Kanwar, Brinjhar, Bhaina, Bhatra, Oraon, Munda, Kamar, Halba, Baiga, Sanwra, Korwa, Bharia, Nageshia, Manghar, Kharia and Dhanwar tribes.
Economy	<p>Chhattisgarh is also known as the country's rice bowl because of its strong presence in agricultural production. It has been registering a GDP of 11.76% against National GDP of 7.8%. State has consistently been topping the list of States with highest GDP year on year. Its agriculture growth has been 4.92% against national average of 2.4%. Its growth in this sector has been at 15% over previous year and has been consistently registering similar growths. In fact, during the year 2007-2008 when procurement reforms were implemented, State registered an agriculture growth of 11.50%. These growths have been on constant value of 2004-2005.</p> <p>Per capita income of the State has risen to Rs 51,887/ for the year 2009-2010, a growth of 17% over previous year against national average of Rs 54,835 which grew by 17.9%. However, while growth in National Per Capita income at constant value of 2004-2005 is only 6.5%, per Capita Income of the State grew by 9.34% at constant price of 2004-2005.</p> <p>State is rich in mineral deposits of limestone, iron, copper, manganese, coal and bauxite. Diamonds have been found recently in Raipur district.</p> <p>Chhattisgarh produces 70 per cent of India's total output of tendu leaves used for making bidis. The State's thick forest contributes valuable timber.</p>
Food	Rice is the staple diet in Chhattisgarh. Pulses, cereals, vegetables, fruits and meat products supplement the basic rice-based diet. Tribals also enjoy an interesting diet consisting of delicacies as red ants, flying ants, squirrels, field rats and wild mushrooms and plants. Fish and pork are hot favourites with the tribals. The small, creamy white fruit of a local tree, the 'mahuwa' is fermented into a potent brew that is extremely popular across Chhattisgarh.
Culture	Tribals of Chhattisgarh love to adorn themselves with plenty of ornaments comprising of items like cowries, beads, shells, bones, feathers, mixed metals, copper and bronze. The local tribes use bamboo as utensils, water pipes, agricultural implements, fishing traps, hunting tools, bows and arrows, mats, baskets and decorative items.

Chhattisgarh - an Overview

Chhattisgarh is a storehouse of literature, arts and crafts. Religion, mythology, social and political events, nature and folklore are favourite motifs. Traditional crafts include painting, wood carving, bell metal craft, bamboo ware and tribal jewellery.

Traditional music and dance play an important part in the passing down from generation to generation of traditions and customs - apart from being a source of entertainment and amusement.

Local dances and dramas such as Pandavani, Panthi Dance, Nacha, Gond and Muria reflect the tribal culture and heritage. Amongst the finest performers of Pandavani, meaning the oral narrative style of story telling is the folk singer/entertainer Teejan Bai.

Paddy Procurement Process

The Task :

A lot has been written about reforms brought in PDS in Chhattisgarh. Chhattisgarh has developed an extremely robust system on two fronts:

1. Procurement of paddy from farmers and getting it ready for distribution
2. Distribution of the food grains to the target group, without leakage.

State has streamlined the entire supply chain of food grain from procurement to delivery to end beneficiary, by computerising it. The entire system is in public domain.

This part of the book deals with streamlining the procurement system. The second part deals with the distribution system.

Paddy Procurement Process :

Paddy procurement has been computerised from end to end. The entire chain of procurement, starting from registration of farmer, procurement centre, online registration of the rice mills, till the rice comes from mills to SCS issue centre, is online and in public domain. It is changing the rural landscape as thousands of crores of rupees are directly pumped into rural economy by way of on the spot payment in lieu of paddy sold. Thousands of jobs are generated for the landless. It has increased the paddy production from 5lakh tons in 2000-2001 to 51 lakh tons in 2010-2011. State is rice surplus and is among the top four contributors to the central rice pool.

State government conceptualised and implemented an exceptionally well thought out paddy procurement process for the farmers. It reflects a very concerned and sincere effort at addressing the concerns of the last man whose voice generally gets lost.

Abbreviations used :

BPL	- Below Poverty Line,
PDS	- Public Distribution System,
FPS	- Fair Price Shop,
SCSC	- State Civil Supplies Corporation,
MARKFED	- Chhattisgarh State Cooperative Marketing Federation Ltd,
MTD	- month to date,
YTD	- year to date,
LAMPS	- Large Area Multi Purpose Societies,
PACS	- Primary Agricultural Cooperative Societies.

Historical Baggage :

Earlier, as is the case in most of the States now, farm produce procurement was manual, farmer used to go to the government's authorised centres where payment used to be a problem or else he would go to mandis to sell it to private buyers, who would pay him on the spot, though at reduced market rates. He was compelled to go to these mandis to meet his immediate cash requirements.

In the case of government centres, payment was delayed because MARKFED didn't have any data on how much fund was to be transferred to the centre for pay outs. Once the farmer would sell his produce at the centre, centre would give its payment requirement to MARKFED, who would get the funds from FCI, after transferring the stocks to them. And the payment thus received would go to centres for payment to farmers. This used to result in delays and used to take anytime from one week to few months in some States.

- In 2002, MARKFED became the nodal agency for procurement. But payment to farmers still remained the biggest issue. Of the 32 lakh registered farmers, 52% are small farmers (having less than 2 hectares of agricultural land),
- Till 2002, FCI used to procure farm produce directly. Farmers had to travel long distances to sell paddy and their payments used to be delayed.
- This used to result in delay in reconciliation of stocks procured by government, besides facing problems of diversion/leakages and accounting / auditing etc.
- There was no transparency and accountability at any level.
- After becoming a DCP State in 2002, MARKFED became the nodal agency but farmers continued to face problems of having to travel long distance and delayed payments.

Procurement Reforms :

- Significant procurement reforms were initiated in 2007.
- Computerisation of all stakeholders, namely, farmers, procurement centres, MARKFED Storage Centres, FCI Godowns, Rice Mills and Receiving Centres (SCS).
- LAMPS & PACS were made procurement centres, thus resolving the problem of travelling long distances. Involvement of elected representatives brought transparency and some accountability. Purchases were made at doorstep and computer generated cheques were paid on the spot. MARKFED provided for gunny bags for proper storage.
- Commission was fixed for LAMPS/PACS/DCCB/MARKFED for handling at their respective centres, thereby incentivising the process for all stakeholders.
- No middlemen and arhtiya allowed. Purchases only in LAMPS & PACS.
- Online registration of dedicated millers to respective Centres. Direct transport from Storage Centres to millers saves time and money. Quick milling reduces interest cost, pilferage, driage and damage.

Paddy Procurement Process

- Accountability at all levels.
- All information on the web for transparency.
- Procurement starts from 1st Nov and continues till 31st Jan after which the system will not accept any receipt of paddy. Last date is extendable subject to exigencies and is decided by distt collector.

Farmer Data Computerisation :

In order to address farmers' concerns, the government started computerisation of the entire procurement process.

The Components:

- 32 lakh farmers
- 1400 millers
- 1589 LAMPS & PACS
- Chhattisgarh Marketing Federation (CGMARKFED)
- Chhattisgarh State Civil Supplies Corporation (CGSCSC)
- Food Corporation of India (FCI)
- District Central Co operative Banks (DCCBs)
- Department of Food

Each and every farmer of the State was registered, along with details of his land holding, khasra number, address, title holder etc. Under the programme, 32 lakh farmers, covering 39 lakh hectares of land, were registered; they are allotted a unique ID number. A sample format showing farmer details is give below :

Farmer's Details :

Sr. No.	Farmer's Name	Name of Father / Husband	Total Payout	Loan to be Recovered	Net Payment	Dhaan Mota	Dhaan Patala	Dhaan Sarana	Total Paddy	Farmer's ID
1.	Khwaja Baig	Zaffar Baig Rohansi	74904	0	74904	3.6	56.8	12.8	73.2	FC4401150100877
2.	Nanku	Itware Nishad Amethi	62592	0	62592	20	6.4	36	62.4	FC4401150100137
3.	Poshan	Dadu Ram Sahu Rohansi	48000	11060	36940	0	0	48	48	FC4401150100958
4.	Akturam	Bajram Patel Temari	34608	0	34608	0	33.6	0	33.6	FC4401150160046
5.	Angad	Haridas Sat Rohansi	33372	19380	13992	0	32.4	0	32.4	FC4401150100666

Paddy Procurement Process

Computerization Span :

- 1589 procurement centres - LAMPS & PACS etc where farmers are registered and sell paddy.
- 58 Storage Centres - owned by MARKFED where excess stocks of procurement centres are forwarded to.
- 16 Food Controller's office,
- 16 MARKFED DMO's offices,
- 16 SCSC DM's offices,
- 111 SCSC CMR distribution centres - out of which 77 are receiving centres as well, where milled rice is received, stocked, distributed.
- 35 FCI, CMR receiving centres - Central pool of rice.
- 1400 Rice Mills
- Directorate of Food.

State also computerised the procedure at the procurement Centres. At most places, LAMPS - Large Area Multi purpose Societies- or PACS- Primary Agricultural Cooperative Societies - were made paddy procurement Centres. This ensured people's involvement and complete transparency as each centre had elected representatives. Each Centre had certain number of villages attached to it for procurement. State has 1589 such procurement Centres. Each Centre has its ID number and is allowed to procure paddy only from those farmers who are attached to it. System would reject any farmer whose registration number is not linked to this centre. Farmer registration is an ongoing process and hence is updated, till date.

Storage Centres Computerisation :

These Centres were then attached to Storage Centres owned and managed by MARKFED. Each such Storage Centre has many procurement Centres attached to it. There are 55 such storage centres.

Likewise, these storage centres would receive the paddy only from the registered centres that are attached with it. Procurement centres send the excess stocks to these Storage Centres, which in turn send the paddy to rice mills after getting the online Delivery Orders from CSC. It also sends the paddy to FCI go downs, if there is excess.

Operationally, all the above information and process is online. Each centre has computer and a DEO. All machines are connected and each official in State's Food Department and SCSC is connected to it. All District Collectors have online information.

Preparation before Procurement :

- Record of farmers updated with the help of Patwaris in PACS/LAMPS module.

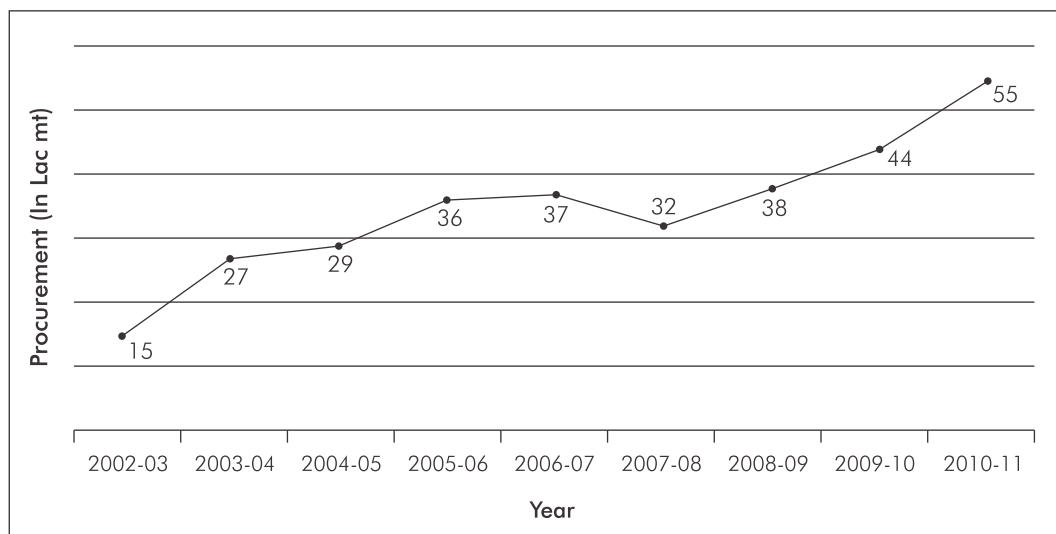
Paddy Procurement Process

- Updating of loan records of farmers in PACS/LAMPS module for purchase linking for net payment to be made after recovering the loan taken by the farmer.
- Entry of estimated maximum yield of paddy in PACS/LAMPS module to plan for funds to make spot payment to the farmers.
- Recruitment and training of data entry operators on contract basis for online updating. 1532 data entry operators, who were from the locality, were recruited and trained on the operation of PACS module.
- All operations carried out by district level offices such as Collector office, DMO of MARKFED & DM of CGSCSC as well as headquarters are computerized through web based application.

Paddy Arrival Data :

Using the data captured on farmers, called Paddy Arrival Data, MARKFED knows exactly how much paddy has been procured and how much to expect. It releases the advance money to procurement centres accordingly. At these centres, monitoring reports are generated, where by at any given time, the information can be taken on day's procurement, its value and other related information by all those concerned. Data is also generated on cumulative basis as well.

Given below is the procurement data from 2002-03 to 2010-11 :



There has been a dramatic increase in procurement over the past ten years.

Payment to Farmers

Farmer also gets his loan from these Societies, who are now acting as procurement centres. Farmer's loan book

Paddy Procurement Process

acts as his qualifying document for registration with Society for selling his goods. Once he sells, weight check memo is issued which is used by system to adjust the loans taken by him and produces a payment command for issuing the cheque. An a/c payee cheque is issued on the spot to the farmer. This information, by farmer, is available on the system for the area. Because of immediate payment and an efficient PDS delivery, farmer is emboldened not to stock any grains in his house, leading to less storage loss.

Packing Material Supplied

State also provides gunny bags for storage of the paddy. Since all the procurement information is online, MARKFED is able to evaluate the exact need of gunny bags and provides them to various centres accordingly. Earlier, neither the State could anticipate the gunny bags needed, nor could the farmer afford it. These are now provided by MARKFED.

Procurement Season

The procurement starts from Diwali or 1st Nov and continues till 31st Jan, after which the system will reject any receipt of paddy. Last date is extendable subject to exigencies. This is decided by District Collector.

The entire data is monitored by Collector in each district, who also has DMO of MARKFED, DM of CSC, Food Controller from Food department, CEO of CCB in his team.

Logistics

DMO looks after entire paddy procurement process, which includes evaluating gunny bag needs, immediate payment to farmer, paddy's storage at procurement centre as well as at Storage Centres. Data is regularly monitored by Collector to see any congestion at procurement centres. In case of congestion, he orders paddy to be moved to miller directly which is coordinated and executed by DMO. This ensures that paddy is not left in open either at procurement centres or storage centres.

In case of further congestion, paddy is sent to FCI from where State gets the immediate payment at MSP which helps in saving the interest cost which is to be paid to MARKFED for advance payment to procurement agencies. (Central govt provides for only two months' of interest cost, whereas in reality it goes up to four months. The additional cost is born by State). While DMO takes care of the MARKFED related issues, the District Collector issues the instructions for paddy movement on the basis of Food Officer's advice.

Custom Milling

Paddy thus procured is sent for milling. Millers are required to be registered with Food Department, through an online process. He is given a login ID and password for this purpose. He is required to give details of his milling capacity, storage space, plot details on which the mill is located along with khasra details, proprietorship, firm's registration number and PAN number. This is cross checked and verified by food inspector who gives his report to food officer who takes approval from Collector. After this process, registration is done. Registration number becomes his ID number as well. The entire process is done online, leaving no scope for any manual intervention. There are 1400 registered mills in the State. These millers are dedicated mills for paddy.

Paddy Procurement Process

Because of the milling infrastructure and their role in PDS, neighbouring State mandis tried to sell their paddy to millers at cheaper rate. State stopped it by a government order.

Miller's capacity is also evaluated and fixed. For custom milling, he applies according to his capacity after which his one time lot capacity is decided. He is expected to deposit rice equivalent to this one time lot before he is allotted equal quantity for milling. The entire process is online and is connected to all roll holders. Millers keep milling in single lots and keep receiving paddy after milling each lot. At no point will he have excess of paddy which is higher than the rice security deposited with SCSC. Miller's only investment, other than plant and machinery, is this rice security. He is paid per ton milling charges. Each mill is attached to storage centres from where it is entitled to receive paddy and then it sends the rice to concerned SCSC warehouses. State has 118 SCSC issue and procurement centres.

Food officers manage the day to day procurement and storage in coordination with DMO and DM. District Collector supervises the entire procedure.

Custom milling ensures availability of rice at all centres through out the State, which results in timely availability of grain to end beneficiaries as SCSC warehouses are spread across the State. Rice is stored and issued to FPS centres from SCSC stores.

Prominent features of the system are :

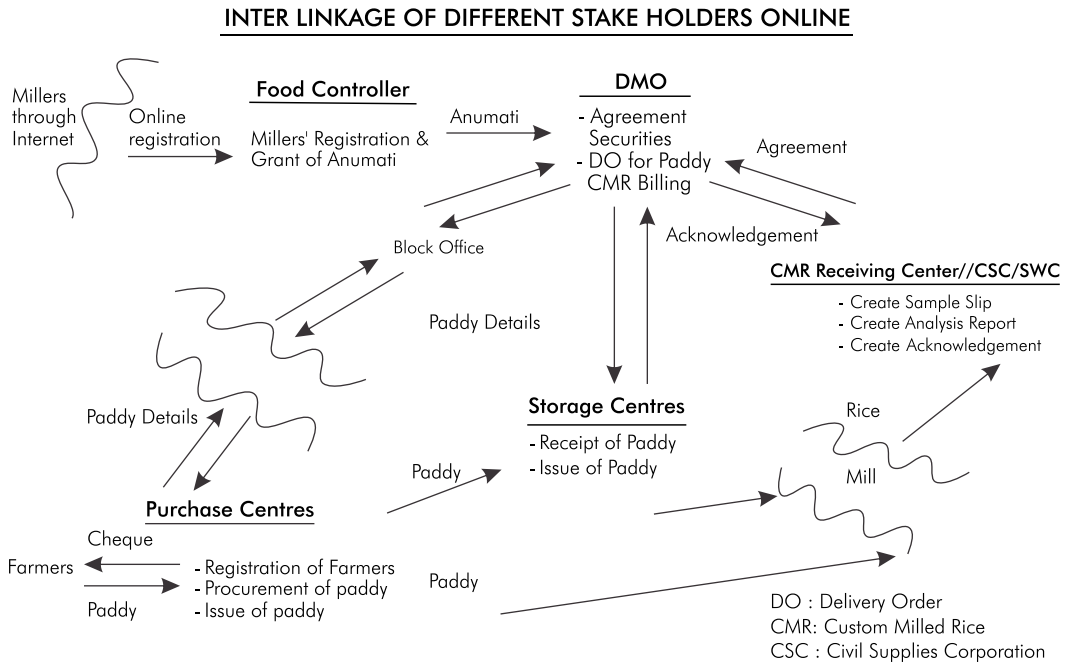
- Only registered rice mills get permission of custom milling by District Collectors. These mills are attached to centres in proximity.
- After permission, millers execute agreement with the DMO.
- Millers' capacity is evaluated and fixed at.
- Mill registration, permission for milling, agreement, creation of CMR acceptance receipt and DO issuance is through web based application.
- Because of the milling infrastructure and their role in PDS, mandis from neighbouring States tried to sell their paddy at cheaper rate to millers. This was stopped by a govt order.
- Millers deposit custom milled rice in advance as security.
- DMO issues equivalent DO to millers to lift paddy from societies / storage centres.
- CGSCSC/FCI receiving centres generate CMR acceptance receipt online. This appears on DMO's module automatically.

15. Transparent Inter Linkages :

The above computerised online procurement was started in 2007 and since then paddy procurement has grown from 32 lakh tons in 2007-2008 to 51 lakh ton in 2010-2011. The transparent system has encouraged farmers to cover more acreage for cultivation and also increase the yield from the land currently cultivated.

Paddy Procurement Process

Following chart shows the flow of grains from farmer to distribution centre :



This completes the procurement cycle. State has done a commendable job in procurement

Public Distribution System

INTRODUCTION :

PDS is inefficient and perceived to be corruption ridden in most of India. Yet, Planning Commission singled out Chhattisgarh's PDS for its efficient delivery.

Challenges faced by PDS :

- Limited reach - FPS centres were scattered and were not easily reachable. They were also privatised in 2001 when the State came into being.
- Delay in monthly allocation - allocation was manual and used to take two to three weeks.
- Delay in lifting and transportation - lack of system to ensure timely availability at FPS.
- Diversion /Leakages - grains meant for card holders used to reach open market, many times to rice mill itself, thereby resulting in selling the same rice many times.
- Lack of accountability at all levels.
- Unviable to run FPS - it was financially unviable for FPS owner to run the shop honestly because of the low margins.
- Lack of transparency - the entire process was manual and could be tampered with.
- Maoist menace in disrupting the supply chain

Private Vs Public PDS :

Prior to 1991, Fair Price Shops (FPS) were private, run by individuals, based on a licence issued by the Government. Food grains were issued to these shops and it had to be lifted from the godown by the licensee. The undivided Madhya Pradesh State Govt, headed by BJP, had de-privatised the FPS in 1991 and had brought into the public domain the entire PDS distribution. When the State was divided and Chhattisgarh came into existence, the then Congress government again privatised the FPS centres. BJP's perception was that a private FPS is under the undue influence of local politicians and therefore the licensees would be indulging in unfair practices, in connivance with officials in the concerned departments. The outlet owners got away with siphoning off a good percentage of the food grains.

When the BJP came to power again, the Government reversed the order of private FPS in 2004. This was done after extensive field visits by Chief Minister Dr Raman Singh personally. During the field visits, he had got the feedback that various public owned bodies need to be made FPS centres as it would have people's involvement and therefore accountability. Also the physical location of such centres was found to be convenient as they were associated to a panchayat, or a cooperative or a self help group, etc. These bodies have village representatives, elected by the villagers and are less likely to be prone to malpractices, as they would not be able to get away.

State has made robust processes and monitoring systems for public distribution system for BPL families. It has

Public Distribution System

computerised the entire PDS from end to end. There is no manual intervention; even the allocation to FPS centres is fully automated. The entire information is in public domain. Awareness and transparency are the hallmark of the system. From how many BPL cards to an FPS centre to how many FPS centres to SCS issue Stores, entire information is online. A staff of six, including two programmers in IT section, monitors the entire online process for the State. The online centralised allotment to FPS is done at this centre. At any point of time, any functionary can see the stock, despatch and receipt details for any area. In such scenario, it is perplexing to note that 3% failure as shown by Justice Wadhwa !

Innovations to Address Challenges

- **Legal Reforms** - Prior to 2005, Fair Price Shops were run by private people. New Control Order was issued on 23rd December, 2004. All 2,872 FPS run by private shopkeepers were cancelled. This resulted in the order being challenged by dealers in High Court. 400 petitions were filed. Govt won in Sept 2005. FPSs were given to Gram Panchayats, Co-operative Societies, Self Help Groups, Forest Protection Bodies and Urban Local Bodies. After cancelling the private licenses of FPS and making new FPS, as desired by villagers, number of FPS increased from 8492 to 10465, one in each Gram Panchayat. The details are given below :

Co operative Societies	-----	3783
Gram Panchayats	-----	4185
Women SHG	-----	2299
FPCs	-----	156
ULBs	-----	42
<hr/>		<hr/>
TOTAL FPS		10,465

- **Increased reach** - Public bodies with elected representatives were appointed FPS thus getting community participation and improving and increasing the reach. No of FPS increased from 8492 to 10465. One in each Gram Panchayat.
- **Availability & Doorstep delivery** - a deadline of 6th of every month has been set up for FPS to receive food grains for distribution to card holders. State Civil Supplies Corpn directly delivers the commodities to FPS centres after online allotment has been done. This resulted in elimination of multiple agencies in lifting and transportation. Once the commodities reach the FPS, chances of its pilferage are remote.
- **Despatch information** - once the food grains are despatched from CSC distribution centres, an sms goes to all the email IDs and mobile numbers registered for that FPS and all other stake holders with the information on exact quantity of goods carried, truck driver's name and his license details, destination details along with truck's registration number. This prevents any diversion / leakages.
- **Strengthening of PDS infrastructure** -
 - Additional 2500 shop cum go down buildings were constructed.

Public Distribution System

- State govt provided tanks and drums to FPS. Kerosene storage is now 9100 KL which is sufficient to store 60% of its monthly quota at any given time.
- SCSC constructed 34 new godowns of 8200 MT capacity in tribal / deficit areas.
- **Improving economic viability of FPS -**
 - Commission on food grain revised from Rs8/ per quintal to Rs30/ per quintal (State bears an extra burden of Rs 400 Cr every year).
 - State govt provided up to Rs75000/ to each shop as one time interest free seed capital (total of Rs420Cr).
 - One time credit facility to all FPS outlets.
 - FPS allowed selling non PDS commodities as well.
 - Consequently, monthly income of FPS outlet increased from Rs750/ to Rs2500/.

Process Reforms

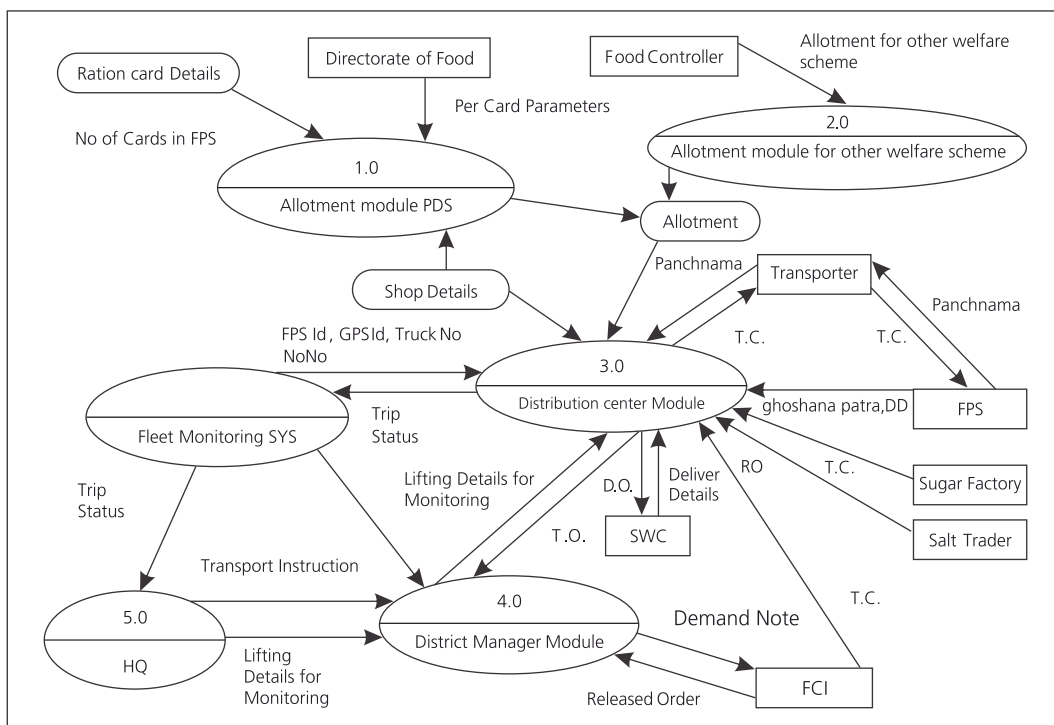
- **Unified ration Card database** - In April 2007, the State decided to make a unified computerized database of ration cards. An order was issued canceling all existing ration cards, and new ration cards were made using computer software. Since new ration cards were made using computer software on a central server, a unified ration cards database was automatically created. These ration cards have two unique identifiers - a numeric code and a bar code printed on the ration card. All the details including the name of the head of the family, his caste, address, entitlements, ration shop, etc., are all printed on the card from the database, and every family gets a custom made ration card. These cards were distributed in each Panchayat area in a public camp. Date, time and place of distribution is well publicised before so that no one is caught unaware. Undelivered cards are delivered to Panchayat office. The entire ration card database is now maintained through web-based modules.
- **Automated Allotment** - Manual granting of allotment has been stopped since Jan. 2008. 32.44 Lakh beneficiary details are on the server. It is possible to calculate allotment to all 10796 FPS from state directorate within one hour by just entering per card parameters for different commodities and releases the shop-wise allotments. The delivery mapping to the 10796 FPS is pre-determined. See Annexure I
- **Submission of FPS sales through declaration** - FPS is now required to give a declaration stating sales of the previous month. The details are entered in computer. Computer automatically calculates the balance quantities at FPS. The system allows giving delivery of the [allotment - balance] quantity only. It checks building of excess quantities at FPS. The affidavit submission is defined under EC act. This has brought the ultimate transparency and automation in the process. Besides, physical verification of stocks of 10% FPS is done on the basis of declaration submitted every month.
- **Web-based application at distribution centres** - Entire operation is through web based application developed in-house, with the help of NIC. All Fair Price Shops (FPS) are required to give declaration of

Public Distribution System

their stocks and sales in the previous month before issue of PDS commodities. These figures are entered in this web application. Based on allocation, stock and sales figures of FPS, the actual amount of PDS commodities to be issued to the FPS is calculated by the software, and a delivery order is issued on the web application. After the issue of the delivery order, a truck challan is issued indicating the truck number, driver's name, quantity dispatched etc. The truck challan is also generated using the web application. Receipt and movement of commodities between distribution centres is also done through this application. Thus stock position at any given point is available on web. Dedicated trucks carry PDS commodities. They are painted yellow and are distinguishable from other trucks, even by the illiterate. This procedure gives upto date lifting information & helps in real time inventory management, computerised receipts of CMR and automated reconciliation between warehouses.

- **Inter district movement** - Large quantities of commodities are required to be transported from surplus district warehouses to deficit district warehouses. Whenever a truck is dispatched from a warehouse to any other warehouse through the computerized system, SMSs are automatically sent to both the District Managers (source and destination) giving the details about the transport. If receipt of the truck is not recorded within 3 days after dispatch, an alert SMS is automatically sent to General Managers of Civil Supplies Corporation for further necessary action. This takes care of the possible diversions during transportation from one warehouse to the other warehouse.
- **Visibility** - All trucks carrying PDS commodities have been painted yellow for a distinct identity. This has increased the visibility as well as monitoring because by the colour of the trucks, people can easily know that the truck is carrying PDS commodities which were earlier not possible. Strict monitoring is done to ensure that the order is followed through out the State.
- **Call Centre & Complaint Monitoring System** - A call centre to lodge complaints or for any enquiry is operational between 8AM -10PM on all working days with a toll free number. This number is prominently displayed at every FPS centre. Complaints lodged are entered in web-based application and monitored in real time at all levels. Grievance redressal status is available online in public domain. Citizens can dial the toll free number and register a complaint or give a suggestion. Every complaint is given a number. The citizen is immediately given this number for future reference. Complaints are monitored at all levels using Complaint Monitoring System. Call centre also provides information on various schemes implemented by the Department. Thus the government moves closer to the citizens through this mechanism.
- **Citizen Interface** - As a proactive measure, the Chhattisgarh government has created a citizen interface website. This website has all information relating to public distribution system including lists of all card holders, all FPS, details of lifting and sales of PDS commodities by FPS etc as also details of complaints lodged and their status. This procedure is helpful in checking diversion, corrupt practices and inadvertent mistakes.
- **Chawal Utsav** - Celebrated at each FPS on 7th of every month where PDS commodities are distributed in the presence of vigilance committee members and nodal officers appointed by the Collector for each FPS. This ensures that they are neither underweight nor over charged. It also ensures that genuine card holders are not denied PDS commodities. 40% of the total beneficiaries are taking their entitlement on the Chawal Utsav (Rice Festival) day which explains the popularity of the programme as well as increased transparency and community participation.

Public Distribution System



Impact of Paddy Procurement and Efficient PDS :

- Farmers get immediate payment for their entire produce, compared to delayed payments in earlier system
- Money flows into rural economy. This year, on the procurement of 51 lakh tons of paddy, Rs 5100 Crores has been directly paid to farmers
- In addition, Rs 250 Cr is being paid as bonus to farmers, task being made easy because of computerised central online data of farmers
- Over all improvement in quality of rural life
- Malnutrition reduced from 62% to 51% in 2010-2011
- Increased awareness and education in IT
- Farmer is induced to till more acreage and get more yield per acre
- He does not have to hold any stock
- Procurement Centre earns by way of 2.5% commission on the value of procurement

Public Distribution System

- Surplus funds available with Societies are used for building infrastructures; CCBs are actually planning to start core banking; earlier times, most CCBs were bankrupt
- 100% loan recovery from farmers
- Daily update on paddy procurement, payments made, loan recovered. Earlier, procurement evaluation used to take 4-5 months
- Daily, MTD and YTD information in any aspect of procurement and PDS is available
- Since MARKFED provides gunny bags, paddy/rice is stored well
- MARKFED is able to recover all money, thereby reducing or minimising its losses
- 94% delivery has been made to FPS centres by morning of 6th of every month
- Employment to 3000 transporters, 20,000 beldars and one lakh labourers in 1450 rice mills

Recommendations

- Card holder data needs to be updated on an ongoing basis.
- A need is felt to include lower middle class in the PDS
- It is also felt that grain allotment should be according to the size of the family.

Conclusions:

- While paddy procurement contributed to the vitality of rural economy, PDS has become the instrument to ensure food security to millions of BPL families. With 37 lakh card holding families, PDS is covering 70% of the State population.
- End to end computerization and automation in PDS led to transparency, minimal manual intervention and extremely robust monitoring at all levels. Awareness among the beneficiaries about the welfare schemes and transparency in the process has ensured almost a corruption free public distribution system in the State.
- Awareness and transparency are the hallmark of the reforms carried out by the State in PDS. There is definitiveness and certainty about food grains reaching the FPS every month and therefore to the end beneficiary as well. With the basic food need taken care of, people have time to get involved in other activities, thereby improving their quality of life.
- With the procurement process in place, PDS and procurement have become two parts of an integrated food grain supply chain.
- While PDS is all about awareness, transparency and therefore better monitoring systems, paddy procurement has changed the economic condition of rural Chhattisgarh.

Public Distribution System

Replicability

What Chhattisgarh has done in PDS can be replicated by other States, given the necessary political commitment. This booklet is a hand holding exercise. Chhattisgarh Government is willing to provide any further help required by any State Government, to implement the scheme so that all Indians will have enough food to eat and lead a dignified life.

NIC, Chhattisgarh State Centre, is the ICT partner in the PDS computerisation. NIC and Government of Chhattisgarh are ready to share their experience and technology with other States in implementing similar system of public distribution. NIC, being central government organization with offices in all States and Union territories, has ability to transfer the technology and experience through out the country, with not much of an effort.

Allotment to FPS

Appendix 1

Sr. No.	District Name	ID of the FPS	Name of FPS Outlet	BPL	Antodyay	Annapuma	Kesariya (35)	Grey (35)		Rice for Nishaktajan (Green)
1.	Kavardha	572001001	Chhirha Sahakari Samiti	95	39	0	5	87	5	2
2.	Kavardha	572001003	Sewa Sahakari Samiti Mainpuri	58	27	0	14	8	1	10
3.	Kavardha	572001004	Sewa Sahakari Samiti Indori	198	101	3	123	401	27	6
4.	Kavardha	572001005	Sewa Sahakari Samiti	121	43	1	31	70	5	1
5.	Kavardha	572001006	Sewa Sahakari Samiti Chacherhi	159	47	2	44	81	10	9
6.	Kavardha	572001007	Sewa Sahakari Samiti	106	37	0	17	105	4	2
7.	Kavardha	572001008	Sewa Sahakari Samiti	156	49	1	32	60	22	3
8.	Kavardha	572001009	Sewa Sahakari Samiti	139	38	3	29	75	6	9
9.	Kavardha	572001010	Gram Panchyat, Semo	72	30	0	12	103	10	4
10.	Kavardha	572001011	Sewa Sahakari Samiti	39	23	2	68	21	3	2
11.	Kavardha	572001012	Sewa Sahakari Samiti	252	46	1	11	58	2	3
12.	Kavardha	572001013	Sewa Sahakari Samiti	184	47	2	24	32	6	6
13.	Kavardha	572001014	Sewa Sahakari Samiti	144	46	2	53	32	10	11

Why is Chhattisgarh model of Public Distribution System not taken as model for the rest of the country?

Bench's direction was based on the recommendations submitted by high powered committee headed by Justice Wadhwa, a retired Supreme Court judge, which recommended Chhattisgarh model of PDS to arrest and correct diversions, leakages, delays in allocation and transportation, distribution of food grains to Fair Price Shops.

Bench of Justice Dalveer Bhandari & Justice Deepak Varma on 14-09-2011

Mr Alok Shukla, the then Food Secretary, Chhattisgarh State got Prime Minister's Award for Excellence in Public Administration for the year 2008-2009 for **Computerization of Paddy Procurement and Public Distribution System in Chhattisgarh.**

Civil Service Day, April 21, 2010



Bharatiya Janata Party

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