

Chhattisgarh's Chief Minister's letter to Prime Minister on cash transfers in the PDS

Dr. Manmohan Singh,
Prime Minister of India,
South Block, New Delhi

I have received information regarding a pilot project for transfer of cash subsidy through ration cards to the beneficiaries of various government schemes in 51 districts of the country. As a member of the working group, headed by the Vice Chairman, Planning Commission, I attended several meetings and gave inputs and suggestions on identification of BPL beneficiaries, strengthening of Public Distribution System and end-to-end computerization of PDS. Final report of the above working group has been made available to the State Government vide Govt. of India letter dated 20.10.2011, recommending scheme to transfer cash subsidy to the beneficiaries, but I regret to note that many of my suggestions have not been included in the final report. Vide my D.O. letter no. 2364 dated 16.11.2011, copy of which is enclosed, I have informed that the government of Chhattisgarh is not in favor of transfer of cash subsidy to the beneficiaries in Targeted Public Distribution System (TPDS).

There are lots of problems in implementation of cash subsidy transfer under PDS. In my view, Fair Price Shops under PDS are the only viable and convenient option for access to foodgrains in rural areas in the State. Financial inclusion and availability of IT infrastructure are preconditions to any scheme of cash transfers. There are substantial problems in the State on both accounts. It would also be difficult to fix the monthly cash subsidies in view of fluctuation in market prices. The system is also vulnerable to misuse of cash subsidy amount by the male heads of the households or purchase of non PDS commodities which would defeat the very purpose for which the subsidies are proposed to be transferred.

Chhattisgarh has been pioneer in terms of reforming the PDS and the Chhattisgarh Model has not only been recommended for replication in other states by the Government of India but also by Honourable Supreme Court of India. It has been our experience that substantial improvement in service delivery at the Fair Price Shops can be achieved by bringing about qualitative changes in the existing system through reforms and by close monitoring of the whole PDS supply chain. The State, in the form of COREPDS, has also developed and implemented an innovative model for automation of FPS' to empower the beneficiary to hold the FPS accountable by providing her an option to buy her stocks from the FPS of her choice. I have personally monitored the PDS operations in Chhattisgarh state and have observed the

instances of diversion and leakages in the PDS in the State come down substantially; and that implementation of cash subsidy transfer will not add much value to the PDS in the State. In fact, given the limitations of Banking and IT infrastructure, the system of cash transfers will lead to increased inconvenience to beneficiaries. I also request you to study the survey conducted by Chhattisgarh State Frontline Magazine on cash subsidy transfer, a copy of which is enclosed herewith for ready reference.

Any changes in present PDS system should only be implemented if the same result in better convenience to the beneficiaries. Also, since implementation of PDS at state level is the responsibility of State Government, any changes in the system should be done only with the consent of State Government. I would like to reiterate that the government of Chhattisgarh is committed to reforms in PDS and is of firm belief that substantial improvement in PDS service delivery can be achieved through reforms and monitoring. Hence the State does not agree with transfer of cash subsidy to the beneficiaries in Targeted Public Distribution System (TPDS) and I request you to exempt PDS in Chhattisgarh from the proposed cash transfer scheme.

Encl: As above

Yours sincerely,

(Dr. Raman Singh)