Rationalising PDS and NFSA

Why in News?

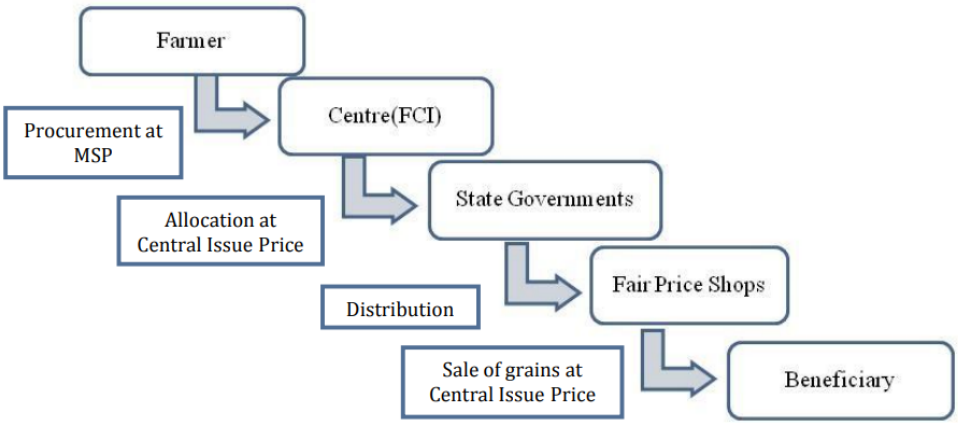
October 16 is observed as World Food Day every year by the United Nations Food and Agriculture Organisation (FAO).

How has the Public Distribution System evolved?

- **Public Distribution System (PDS)** – It evolved as a system of management of scarcity through distribution of foodgrains at affordable prices.

  The public distribution of essential commodities was in existence in the country during the inter-war period and its focus on distribution of foodgrains in urban scarcity areas, had emanated from the critical food shortages of 1960s.

- PDS is operated under the joint responsibility of the Central and the State/UT Governments.
- **Role of Central Government** - Procurement, storage, transportation and bulk allocation of food grains to the State Governments through Food Corporation of India (FCI)
- **Role of State Government** - Allocation within State, identification of eligible families, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs)



- **Commodities under PDS** - Wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution.
- Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc
- **Benefit of PDS** - PDS had substantially contributed to the containment of rise in food grains prices and ensured access of food to urban consumers.
- As the national agricultural production had grown in the aftermath of Green

Revolution, the outreach of PDS was extended to tribal blocks and areas of high incidence of poverty in the 1970s and 1980s.

- **Revamped Public Distribution System (RPDS)** – It was launched in June, 1992 to strengthen and streamline the PDS by adopting area approach for ensuring effective reach of the PDS commodities.
- **RPDS Distribution** - Food grains for distribution in RPDS areas were issued to the States at 50 paise below the Central Issue Price and the scale of issue was up to 20 kg per card.
- **Targeted Public Distribution System (TPDS)** - In June, 1997, the Government of India launched the TPDS with focus on the poor.
- **BPL Families** – They were identified by the States as per State-wise poverty estimates of the Planning Commission for 1993-94 based on the methodology Lakdawala committee methodology.
- **Benefits** – For BPL Families , 20 kg of food grains per family per month at 50% of the economic cost and for APL families at economic cost.
- **Antyodaya Anna Yojana (AAY)** - It was launched in December, 2000 for one crore poorest of the poor families.
- **AAY Benefits** - Rs.2/- per kg. for wheat and Rs.3/- per kg for rice and 35 kg per family per month.
- **Expansion of AAY** - AAY Scheme has since expanded to cover 2.50 crore poorest of the poor households.
- **National Food Security Act** - The 2013 Act aimed at reducing exclusion errors legally entitles up to 75% of the rural population and 50% of the urban population to receive subsidized foodgrains under TPDS.
- **Expanded Coverage** - About two thirds of the population of maximum coverage of 81.34 crore persons, is covered under the Act.
- **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)** - It has been extended for a period of next five years with effect from 1st January, 2024.

What is the need for rationalizing PDS and NFSA?

- **High Cost of Food Subsidy** – The annual food subsidy for distribution of food grains to AAY households and PHH beneficiaries, Other Welfare Schemes and Tide Over is to the tune of Rs. 2.13 lakh crore.
- **Reduced Poverty** – As per NITI Aayog's Multi-dimensional Poverty Index , poverty ratio has declined from 29.13 % in 2013-14 to 11.28 % in 2022-23.
- The coverage of 66% target under NFSA can be reduced accordingly.
- **Price Revision** – Subsidized food prices have not been revised since inception of the act.
- **PDS leakages** - A substantial part of almost 25 to 30 % of food and fertilisers subsidies, , never reaches the intended beneficiaries.

PDS "leakages" refer to the proportion of PDS rice and wheat released by the Food Corporation of India (FCI) that fails to reach consumers and it is estimated by matching NSS data on household PDS purchases with "offtake" data of the Food Ministry.

- **Fund Diversion** - Along with fertiliser subsidy, it cuts down much more rational and productive investments in agri-food space, such as in Agri-R&D, precision agriculture, micro-nutrients, women's education and sanitation.
- **Corruption** - when Subsidies are abundant and almost open-ended, become an instrument of corruption.
- **Ineffectiveness** - Targeting errors such as Many individuals who are not poor possess Below Poverty Line (BPL) ration cards, while some eligible poor households lack these cards.
- This misallocation undermines the effectiveness of food distribution.
- **Adaptation to Changing Conditions** - As climate change impacts agricultural productivity, rationalizing policies can facilitate the adoption of climate-resilient crop varieties and efficient irrigation systems.

What lies ahead?

- Ensure enough lead time to prepare for proper implementation and transformation.
- Digitisation of the agri-food system could help in rationalizing the food subsidy system.
- Revise the subsidized food prices in alignment with the inflation figures.
- Encourage states to implement SMART PDS system to improve its effectiveness and efficiency.

References

1. The Indian Express | Right to Free Food
2. NFSA | PDS

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