

Public Distribution System in India: A Social Audit

*Himanshu Sikarwar**

With the rampant corruption in many policies and programs of Government and with a view to provide justice to the poor, Social Audit is definitely needed in one of the biggest policies of the government known as Public Distribution System. What kinds of problems do the poor faces in getting the rations which are considered as basic necessity to live on earth? How policies like Public Distribution System are corrupted and what happens in reality in the name of providing food to the needy ones, Social Audit is needed and it becomes very important for the people to not only wait for a program to take place but to audit and review that particular program, an audit which provides a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance. An audit helps to narrow down the gaps between vision/goal and reality, between efficiency and effectiveness, which gives people a technique to understand, measure, verify' and to improve the social performance of the organization is known as Social Audi. In such endeavour, people work with the government to monitor and evaluate the planning and implementation of a scheme or programme, or a policy or law.

' Student, 3rd Year, West Bengal National University of Juridical Sciences, Kolkata

CONTENTS

- I. Introduction
- II. Social Audit: The Purpose behind It
- III. Public Distribution System in India: A General Idea
 - A. *Is The Public Distribution System Booming?*
 - B. *Social Audit as a savior of poor in Public Distribution System*
- IV. Conclusion

I. Introduction

"Truth Is The Greatest National Possession. A State, People and a System That Suppresses Truth or Fears To Publish It, Deserves To Collapse."

Kurt Eisner

In a Country like India where democracy exists, people who elect the government are regarded as masters and Government's primary duty becomes to serve the people. One of the ways to serve people is to accept their demands and lay down policies and programs which in the course of time yield fruitful results. All these things are expected from the government during their five-year term. But in actuality these things may or may not happen. The policies of Government sometimes don't reach the 'have-nots' and the Government officeholders, especially those who are corrupt in nature, earn extra money on the expenses of the needy ones. Transparency and complete accountability is expected from them but the poor get either assurance of a policy or nothing. Government is socially responsible to the people but it's the people who get cheated every time. Therefore, it's high time they become more assertive

about their right to be informed and to influence government's decision-making processes.

Therefore, it becomes very important for the people to not only wait for a program to take place but to audit, review that particular program, an audit which provides a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance. A social audit helps to narrow down the gaps between vision and reality, between efficiency and effectiveness. It gives people a technique to understand, to verify and to improve the social performance of any organization. In terms of a government policies and decisions, social audit would imply people working with the government to monitor and evaluate the planning and implementation of a scheme or programme, or of a policy or law. Social audit becomes an instrument of social accountability for an organization. In other words, Social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility vis-a-vis its social relevance.

Public Distribution System (PDS) is one of those policies of Government which need Social Audit. Under PDS food grains are distributed to poor who are below poverty line. The aim of policy is generous but its not corruption free. PDS is known for many malpractices which severely affect its functioning. Social Audit in PDS gained significance especially after the 73rd and 74th amendments to the Constitution of India. With the effective and true decentralization of the Public Distribution System, direct accountability and internal dynamics are expected to reduce siphoning off of food grains and

other similar malpractices. The decision-making has to be done by the people through *gram sabhas* in rural areas and *basti sabhas* in urban areas.

II. Social Audit: The Purpose behind It

The purpose of conducting Social Audit is not to find fault with the individual functionaries but to assess the performance in terms of social, environmental and community goals of the organization. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to. It provides an assessment of the impact of organizations' non-financial objectives through systematic and regular monitoring, based on the views of its stakeholders.

The following are the steps that may be necessary in planning and preparing for a Social Audit. These were:-

1. *Setting up of a Social Audit Committee*

To take on the responsibility of planning and preparation and organizing the Social Audit, Social Audit Committee is needed **which will** include *Gram Sabha* representatives, senior community members, stakeholders' representatives, representatives of facilitating organization¹. It is essential that all sections of the community, particularly the marginalized and the women, find adequate representation in this committee².

¹ *Training Workshop on Social Audit*, A Completion Report of Orcha District in Madhya Pradesh, available at www.empowerpoor.org/downloads/Report%20Social%20Audit%2023-25%20Jan.'06_.pdf <last visited on July 1 2009>

² John Pearce, Peter Raynard, and Simon Zadek, *Social Auditing for Small Organisations: A Workbook for Trainers and Practitioners*, (New Economics Foundation. London, 1996)

2. *Determining the Objectives of Social Audit*

The objectives will determine the planning and preparation, as well as the extent of the issue or subject to be audited. It is emphasized that Social Audit would be meaningful in the long term only if it is carried out not simply with the idea of finding faults and playing the blame-game, but to bring about transparency, accountability and improvement in the work culture.

3. *Identification of Stakeholders*

As has been suggested earlier, the concern of a Social Audit is not personal grudge, but society's well-being. It is essential that the views and opinions of all stakeholders are reflected in the process. Identification of all stakeholders - all people directly or indirectly involved in the work or those affected by or affecting it directly or indirectly, positively or negatively - is important, who could be involved in the process or be invited on the day of Social Audit .

4. *Data and Information gathering*

This is perhaps the most important part of planning and preparation, since it the "proof on the basis of which one will be able to conduct the Social Audit. The participants discussed what data and information was required to be gathered beforehand - all schemes and people's rights and benefits related to the work; copies of tender documents and contracts, including budget allocations related to the work; copies of correspondence and documents related to work, e.g. work register, muster rolls, bills, vouchers, income-expenditure statements , etc. Since this

information is to be mainly gathered from government departments, it is the most time-consuming part of the preparation. With reference to this, it is mentioned that the Right to Information Act, now applicable all over the country, is an important and powerful instrument that can help the civil society organizations in this direction.

Generating awareness, Creating environment and Networking for the event

This is important from the point of view that the active participation of the stakeholders is vital for the success of the Social Audit process, particularly since it is being seen as an empowering tool. The data and information gathered needs to be disseminated to the stakeholders and other people through all available forms of media (street corner meetings, songs-dance, leaflets-pamphlets, wall writings, *et al*) so that people are not just motivated to be present on the day of Social Audit but are actually aware of the issues to be discussed and audited'. It is also important to network with the related government departments, area politicians and representatives to garner their support and presence at the event. Also, intellectuals and seniors should be present as independent observers.⁶ The Social Audit Committee and the facilitating agency have a major role to play in this effort to galvanize the people and all other parties involved.⁷ *Gram Sabha as Important Institutional Level for Social Audit*

⁵ Available at <http://www.assamtimes.org/Neighbours-World/1508.html> <last visited on July 1 2009>

⁶ *Supra* note 3

⁷ *Ibid*

The most appropriate institutional level for social audit is the *Gram Sabha*, which has been given 'watchdog' powers and responsibilities by the *Panchayati Raj* Acts in most States to supervise and monitor the functioning of the *Panchayat* elected representatives and the governments functionaries, and to examine the annual statement of accounts and audit reports . These are implied powers indirectly empowering *Gram Sabhas* to carry out social audits in addition to other functions . Members of the *Gram Sabha* and the village *Panchayat*, intermediate *Panchayat* and district *Panchayat* through their representatives, can raise issues of social concern and public interest and demand an explanation¹⁰.

III.Public Distribution System in India: A General Idea

With the ever growing population in India and lack of rain in many regions in arable land in India, the issue of food security comes into focus. According to the Food and Agricultural Organization, India alone accounts for **over** 400 million poor and hungry people. For a nation long habituated to scarcity and starvation the problem is ironic: it is the one of plenty. Why, in a **food** surplus nation where buffer stocks are thrice what are required for food security, thousands still die of malnutrition and hunger? While the objective of food security has been reached, the elemental individual right for food has not been attained.

* *Involvement of Panchayati Raj* Institutions, available at <http://fcamin.nic.in/dfpd/EventDetails.asp?Section=PDS&EventID=146&cur=1&ParentID=22&Parent=1&check=1><last visited on July 1, 2009>

* *The PDS Under Panchayats*, *The Hindu*, July 7, 1999

¹⁰ *Supra* note 3

The results are of immediate policy interest with respect to the current debate and re-shaping of the Indian Public Distribution System. Of all the safety net operations that exist in India, the most far-reaching in terms of coverage as well as public expenditure on subsidy is the Public Distribution System, also known as the PDS. The PDS ensures the distribution of essential items such as selected cereals, sugar and kerosene at subsidized prices to holders of ration cards". The PDS also helps to modulate open - market prices for commodities that are distributed through the system. India's Public Distribution System is built around a system of roughly 462.000 'Fair Price Shops', often referred to as 'ration shops', making it one of the biggest such systems in the world, if not *the* biggest¹². India's Planning Commission estimates that 160 million families purchase commodities at ration shops every year.

The PDS was originally a Universal Public Distribution System (UPDS). The main objective was to create a demand for food grains, thereby ensuring that farmers benefit from their produce. It was meant for price stabilization of food grains by giving a price support '. Due to widespread poverty in the country, the purchasing power for food grains was low but the supply of food was increasing. As a result, farmers got lower prices for their produce prompting the government to provide support prices and procure the

" Rob Jenkins, *Civil Society Engagement and India's Public Distribution System: Lessons from the Rationing Kruti Samiti in Mumbai*, Birkbeck College, University of London, October 2002 p.2, available at www.righttofoodindia.org/data/jenkins-goetz2002civil-society-engagement-pds.pdf <last visited on July 1, 2009> ¹² *Ibid*

¹³Ahmed Tritah, *The Public Distribution System in India: Counting the poor from making the poor count*, (GREMAQ, Universite des Sciences Sociales, Toulouse), available at www.righttofoodindia.org/data/tritah2003pds-making-poor-count.pdf <last visited on July 1 2009>

food grains. Thus, the government had to sit with overstock of food grains in the absence of an efficient food distribution system. The UPDS was a means to distribute the food grains to the people. Thus this strategy provided food subsidy to the consumers and price support to the farmers¹⁴. In the post-economic reform era, the PDS became a very significant poverty alleviation programme of the government. The central government initiated a new PDS programme in June 1997 and called it targeted public distribution system or TPDS. Under this scheme, the States are to identify households below poverty line and provide them 10 kg of food grains at highly subsidized price and this amount was raised to 20 kg in April 2000. In addition, some States have provided additional quantity of food grains or increased the food basket by adding edible oil, sugar and cereals to the BPL households¹⁵. The cost of operating the PDS is three-fold. First cost component is the subsidy of the programme. The cost of procuring the food grain is higher than the price of selling it through the PDS. Second component of the cost is the administrative cost involved in procurement, transport and storing. The last component is the loss due to wastage and pilferage that occur at different stages of PDS-procurement to distribution¹⁶.

¹⁴ Civil Society Engagement and India's Public Distribution System: Lessons from the Rationing Kruti Samiti in Mumbai, Rob Jenkins Birkbeck College, University of London, October 2002, pg.2 Article Available online at www.righttofoodindia.org/data/jenkins-goetz2002civil-society-engagement-pds.pdf <last visited on July 1, 2009>

The Public Distribution System in India: Counting the poor from making the poor count, Ahmed Tritah. GREMAQ, Université des Sciences Sociales, Toulouse article at www.righttofoodindia.org/data/tritah2003pds-making-poor-count.pdf <last visited on July 1, 2009> *Ibid*

A. Is The Public Distribution System Booming?

The PDS, despite its many successes, has over the years manifested a broad collection of troubles. One of the problems of PDS is the diversion of food grains to the open market. Various studies show that one third of the grains supplied to PDS leaked into the open market in the UPDS programme¹⁷. The leakage level had increased to 41 per cent in the TPDS programme because the price gap between the TPDS and the open market was wider than the price difference between UPDS and the open market price. Even the urban poor community is not aware of what they are entitled in the PDS. As a result, the fair price shop owners cheat them. The situation must be worse among the rural poor. Another problem is the purchasing power of the poor. The food grain is supplied to them once in a fortnight. It is difficult for the families living below poverty line to buy food grains for 2 week in one go. Under the TPDS programme, the quota of food grains was increased to 20 kg . The very poor do not have the purchasing power to buy such large quantity of food grains at a time. This resulted in many not availing the PDS and the unutilized food grain was diverted to the open market. Targeting was a major problem in the TPDS programme. Also, the selection of beneficiaries was not transparent and the basis for selection was too complicated for the local officials to administer. It also involves high cost in identifying the poorest among the poor¹ . As TPDS narrowly targets at the household level, it requires very detailed data for these households and a complex and expensive means testing process.

¹⁷ *Ibid*

¹⁸ *Supra* note 2

¹⁹ *Public Distribution System & Food Security*, available at planningcommission.gov.in/plans/mta/mta-9702/mta-ch8.pdf <last visited on July 1 2009>

Apart from the issues of transparency, administrative complications and high cost, social and political factors played a role in identifying BPL families. Caste factor played a role in rural areas. In urban areas, the issue of "residency" played a role²⁰. Those who are not "residents" but living in the slum are not considered for the food subsidy. They are mainly migrants. Those who are not in favor of the ruling leadership were not included in the list of BPL. In urban areas, those who are not living in dwellings but on the roadside (pavement dweller) are the poorest among the poor but they are excluded from the TPDS because they do not have an address in the city²¹.

B. Social Audit as a savior of poor in Public Distribution System

With the out of control corruption in the PDS and the failure of the Government to reach the poor to provide food which is the basic necessity of existence, the imperative issue of social audit in the field of PDS is raised. There complete lack of information to the citizens with regard to functioning of the Fair Price Shops (FPSs) which ultimately leads to a large number of malpractices. Another area, which needs improvement, seems to be the issue of the ration cards to the targeted group.²² Also, the wrong set of people maybe drawing rations and other commodities at BPL rates, which are highly subsidized. It is felt that a more transparent and accountable system with provision of social audit is needed. Such a system could eliminate most of the ills of the system, and social audit as set of simple administrative measures would go a long way in reforming the system.

¹ *Supra* note 2

² *ibid*

³ *Supra* note 8

Following are the social audit provisions in P.D.S that possibly can help in reforming it up to an extent. <

1. Transparency

Social auditing of the scheme should be made mandatory in the schemes like PDS. Social audit should cover the various process of the scheme from procurement. to distribution. The state and central governments should issue suitable guidelines and allocate necessary funds to facilitate social audit in this type of schemes²³. Central assistance should be discontinued if the social auditing is not conducted²⁴. The Supreme Court in its order dated May 2003, empowered the Gram Sabhas to conduct social audit in rural areas²⁵ The scope of conducting social audit has to be expanded to Town Panchayats and municipalities and corporations by interested public and voluntary organizations.

2. Formation of Vigilance Committee

Vigilance committees should be formed at Taluka, District and state levels. A social audit of the working of PDS in association with the intended beneficiaries would be necessary. At FPS level, the Committee may consist of cardholders (some of whom should be women), the elected president of the Panchayat, consumer activists, etc²⁶. Taluka Committees

Supra note 9

²⁴ *Supra* note 1

²⁵ *Right to Food Campaign in Tamil Nadu*, Report of Consultation held on Public Distribution System, available at www.righttofoodindia.org/data/pds/pds_tamilnadu.pdf <last visited on July 1 2009>

²⁶ Programme Evaluation Organization, *Performance Evaluation of Targeted Public Distribution System (TPDS)*, Planning Commission, Government of India New Delhi March (2005), available at www.planningcommission.nic.in/reports/peoreport/peo/peo_tpdsmarch05.pdf <last visited on July 1 2009>

should be formed with Taluka Supply Officer as convener. District Committee should be formed with district supply officer as convener. Review of working of PDS should be subject to their review in the Panchayats and Nagar Palikas at regular intervals⁹⁷.

3. Formation of Fair Price Committee in Public Distribution System

The Gram Panchayats should be encouraged to form a FPS Committee which should include the Members of the existing Vigilance Committees for the Fair Price Shops of the area under its jurisdiction as also the representatives of the TPDS groups, women and SC/ST/OBC Panchayat members to keep a watch on the functioning of the FPS. They should be given the right to inspect the records of the FPSs, the periodicity of which should be prescribed by the State Governments. The Committee should be required to report their findings to the Gram Sabha. They should also endorse a copy of the report to the prescribed civil supplies authority for action wherever required.

4. Duty of the Prescribed Authority on receipt of the report of Gram Sabha about the FPS functioning

The prescribed authority on receiving a report from the Gram Sabha about the unsatisfactory functioning of the FPS and the details thereof shall conduct and complete the enquiry in a time bound manner as prescribed by the State Government²⁹. If the charges preferred by the Gram Sabha are

²⁷ *Social Audit: A Tool for Performance Improvement and Outcome Measurement*, Centre for Good Governance, Hyderabad (2005)

" *Supra* note 2

²⁹ John Pearce, *Social Audit and Accounting* (Community Business Scotland (CBS) Network, 2001)

found to contain substance, the license of the FPS shall be suspended forthwith and he will be dealt with in accordance with the provisions of the law, again within a stipulated time frame to be prescribed by the State Government³⁰. Alternative arrangements regarding running of the suspended/cancelled FPS shall be made by the prescribed authority in accordance with the prescribed procedure for the purpose.

5. Checking of ration cards

The Gram Panchayats/Gram Sabhas should also be responsible for checking of the ration cards occasionally to find out whether the card is genuine and the number of units contained on it is correct. The FPS Committee of the Gram Panchayat will report to the Gram Sabha the results of its occasional checking. It would contain details like the number of checks carried out and the outcome of its efforts to eliminate bogus ration cards and the number of units contained on the ration cards checked³¹.

6. Redressal of Grievances

The consumers can address their complaints with regard to the FPS to the authority the designation and address of which should be widely publicized including the Gram Panchayats. It should also find a place on the information sheet to be attached along with each ration card mentioned in the preceding paragraph³². However, the consumer should, alternatively, be able to make complaints to the Gram Panchayats which can refer it to the prescribed authority for redressal. All such complaints

³⁰ Spreckely, *Social Audit Toolkit* (Social Enterprise Partnership Local Livelihoods, 3rd edn, 2000)

should be disposed off by the prescribed authority within a fixed period to be prescribed by the State Government and the outcome should also be intimated to the Panchayat.

7. Right to Information and Social Audit

The success of Social Audit is dependent to a large extent on the data and information on the subject or issue to be social audited, which is shared with the people and which is then openly inspected, testified, challenged and verified³³. Only if the data and records are authentic, can they stand the test of social audit. Data and records can be authentic if they are from the original source, and in our development works the original source is the government or its concerned department. But extracting authentic data and copies of relevant records from the government departments is a very big challenge. This is because there is considerable irregularity in development works and no department wants to divulge the proof of their irregularities and lies³⁴. Hitherto, the departments have been taking refuge in the Official Secrets Act and other such reasons to not part with authentic data and records on development works. But since October 2005, the Right to Information Act has been promulgated which allows the people access to government data, record or information. In the process of Social Audit, then, the Right to Information Act is a very powerful weapon - for the people, particularly for the civil society organizations (and definitely those working on rights based issues), but since this is a

³³ *Supra* note 26

³⁴ *Supra* note 27

³⁵ *Supra* note 30

³⁶ *Supra* note I

recent law, it needs to be properly studied, understood and then judiciously used for maximum benefit.

IV. Conclusion

At the end of this research paper, the researcher has come to a conclusion that the concept and idea of social audit is one which can result in many changes and benefits to the poor. If it is applied in the Public Distribution System, it will bring changes and the rightful owners will get proper rations. But one needs to remember that Social Audit is a comparatively new subject, particularly in the development sector in India. Although the Government of India has recognized the importance of Social Audit and even made it mandatory, there has been very little in practice. Indeed, the concept of Social Audit is still at a nascent stage in the country. However, some encouraging experiences in the last few years, which include introduction of Right to Information Act, which if coupled with Social Audit can produce fruitful results for the needy ones. The civil society, especially those working on rights-based issues, are beginning to realize the increasing value of Social Audit as a tool to empower the people and demand accountability in their development-related works.