

Decentralised procurement scheme

5.59 The decentralised procurement scheme of the Government of India is in operation since 1997. Under this scheme, the designated States procure, store and also issue foodgrains as per allotments indicated by the Central Government under TPDS. The difference between the economic cost of the State Governments and the Central Issue Price is passed on to the State Governments as subsidy. The decentralised system of procurement, apart from helping to cover more farmers under the MSP of the Central Government, has the merit of economising the transport and administrative costs involved in procurement and distribution operations. Further, it helps in minimising the dependence of State Governments on the FCI for PDS requirements and reducing the complaints about quality, as consuming States themselves are the custodians of the procured foodgrains.

5.60 However, the scheme has evoked limited response from the State Governments. Out of the State Agencies' share of nearly 58

percent of total rice and 80 percent of total wheat procured by the FCI, only 33 percent rice and 13 percent wheat are contributed by the States with decentralised procurement. At present, the State Governments of West Bengal, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Uttaranchal and Tamilnadu are implementing this scheme in a limited way. The States of Assam and Nagaland and the Union Territory of Andaman & Nicobar Islands have also evinced interest in the scheme.

5.61 The concerns of the State Governments broadly relate to financing of operations (RBI valuation norms for stocks of foodgrains) and reimbursement of expenses and release of subsidy by the Central Government (fixation of economic cost of foodgrains of State Governments and delays in the release of the subsidy). The concerns relating to the reimbursement of expenses and release of subsidy have been largely addressed through a process of consultation of the stakeholders concerned. On the request of the States, the issues relating to valuation norms have been taken up with the RBI.