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Daily News Analysis

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Edition: International Table of Contents

Kerala's recognition as a leader in business and citizen-centric reforms by the Union Ministry of Commerce and Industry highlights the state's strides in improving the ease of doing business and public service delivery.

- The state leveraged digital tools and policy reforms to enhance efficiency and responsiveness across multiple sectors.

Kerala tops citizen-centric reforms categories in Centre's latest rankings

The Hindu Bureau
THIRUVANANTHAPURAM

Kerala has emerged the country leader in two categories of business-centric reforms and seven categories of citizen-centric reforms in the ranking of the Union Ministry of Commerce and Industry.

The rankings were announced at the Conference of State Industries Ministers held in New Delhi on Thursday.

Industries Minister P. Rajeeve received the Business Reforms Action Plan '22 (BRAP 22) award of the Department for Promotion of Industry and Internal Trade (DPIIT) from Union Minister of Commerce Piyush Goyal at the conference. Union Minister of State for Commerce and Industry Jitin Prasada was present.

The business-centric reforms in which Kerala emerged top performer are facilitating utility permits for business and paying taxes.

The frontrunner: Kerala Industries Minister P. Rajeeve receiving the BRAP- 22 award from Union Minister Piyush Goyal in New Delhi on Thursday. SPECIAL ARRANGEMENT

Single window system

The citizen-centric reforms in which Kerala was adjudged as the top achiever are: Online single window system, the process of issuing various certificates with ease provided by Urban Local Bodies (ULBs), issuance of certificates by the Department of Revenue, providing utility permits, public distribution system (Department of Food and Civil Supplies), improvements in transport sector and running employment exchanges.

The feedback was conducted on the existing businesses in the State and Kerala got more than 95% positive responses in these nine reform areas.

"The rankings clearly acknowledge that Kerala has made great strides in 'Ease Of Doing Business' by building an ecosystem that is conducive for a wide range of enterprises to thrive," Mr. Rajeeve said. "The State has emerged as top achiever in these vital categories due to the policies and effective implementation down to the level of local bodies," he added.

The State also made a mark in prompt delivery of services to citizens by upgrading the whole system by leveraging cutting-edge technology including digital tools, he said.

Principal Secretary (Industries and Commerce) APM Mohammed Hanish, Managing Director, KSIDC S Harikishore and KSIDC General Manager Varghese Malakaran were also present on the occasion.

Announcement

- Kerala emerged as a top performer in two business-centric and seven citizen-centric reform categories in rankings by the Union Ministry of Commerce and Industry.
- Kerala's Industries Minister, P. Rajeeve, received the Business Reforms Action Plan 2022 (BRAP 22) award from Union Minister of Commerce, Piyush Goyal.

Business-Centric Reforms

- Kerala excelled in two key business reforms:
  - Facilitating utility permits for businesses.
  - Improving the ease of paying taxes.

Citizen-Centric Reforms

- Kerala was recognized for top achievements in seven areas, including:
  - Online single window system.
  - Simplifying certificate issuance by Urban Local Bodies (ULBs) and the Department of Revenue.
  - Utility permit facilitation.
  - Public distribution system (Department of Food and Civil Supplies).
  - Transport sector improvements.
  - Employment exchange management.

Positive Feedback

- Kerala received over 95% positive feedback from businesses, recognizing improvements in these nine reform areas.

Technological Advancements

- The State upgraded service delivery using digital tools and cutting-edge technology, contributing to its success.

Page 06 : GS 2 : International Relations

The 10th Interpol Liaison Officers (ILOs) conference, organised by the CBI, focused on strengthening international law enforcement partnerships.

- Union Home Secretary Govind Mohan emphasised the importance of global cooperation in combating new-age crimes like cyber-enabled frauds, terrorism, and transnational crime.

Close ties between agencies globally needed to tackle new-age crimes, says official

The Hindu Bureau
NEW DELHI

Union Home Secretary Govind Mohan on Thursday said new age crimes, such as cyber-enabled financial frauds, online radicalisation, and transnational organised crime networks, were not confined by borders and, therefore, in an increasingly interconnected world the importance of international police cooperation could not be overstated.

Mr. Mohan inaugurated the 10th Interpol Liaison Officers (ILOs) conference organised by the Central Bureau of Investigation (CBI) on the theme "Strengthening International Law Enforcement Partnerships" ahead of the coming UN International Day of Police Cooperation.

The first session was attended virtually by law enforcement personnel across India and member countries of Interpol, Europol, and GloBE Network.

Govind Mohan

"The international dispersal of crime and criminals has enhanced the need for investigation abroad. Prevention, detection, investigation and prosecution of crime is increasingly reliant on digital evidence and foreign located evidence," the Union Home Secretary said in his inaugural address.

He added that there was a need for close and real-time coordination among law enforcement agencies globally to address the threats posed by terrorism and terror financing, transnational organised crime networks, online radicalisation, cybercrimes, and offences ranging from illicit flow of drugs, human trafficking, and wildlife/environmental crimes to laundering of proceeds of crimes.

Elaborating on the recent initiatives for international police cooperation, he said with the Union Home Ministry's approval, a working arrangement with Europol was signed by the CBI in March, 2024.

The CBI Academy joined Interpol Global Academy Network in August, 2023. The agency's Global Operation Centre was set up in 2022.

Importance of Global Cooperation in Combating New-Age Crimes

- **Transnational Nature of Crimes:** New-age crimes, such as cyber-enabled frauds, terrorism, human trafficking, and drug smuggling, transcend borders, requiring international cooperation for effective prevention and investigation.
- **Digital and Foreign Evidence:** Investigations increasingly depend on digital evidence and information located abroad, making collaboration between nations crucial.
- **Real-Time Coordination:** Timely information sharing and real-time coordination between global law enforcement agencies are essential to counter rapid criminal activities.

Challenges in Global Cooperation

- **Jurisdictional Conflicts:** Differing legal frameworks and jurisdictional boundaries complicate cross-border investigations.
- **Data Privacy Concerns:** Striking a balance between privacy laws and the need for data exchange in criminal investigations remains a challenge.
- **Limited Resources:** Developing countries may face challenges in accessing advanced technology and expertise needed to combat sophisticated cybercrimes.
- **Language and Cultural Barriers:** Differences in language, legal practices, and cultural norms can hinder seamless international cooperation.

India's Efforts in Combating New-Age Crimes

- **Interpol and Europol Cooperation:** Signed a working arrangement with Europol in 2024, enhancing cross-border law enforcement collaboration.
- **CBI Global Operation Centre:** Established in 2022 to facilitate international investigations and cooperation.
- **Interpol Global Academy Network:** Joined in 2023, allowing Indian law enforcement access to global best practices and training.
- **Cybercrime Reporting Portal:** Launched to streamline reporting and investigation of cyber-enabled crimes across India.

Way Forward

- **Strengthening Legal Frameworks**: Harmonising international laws and treaties can facilitate smoother cooperation.
- **Capacity Building:** Training law enforcement personnel and investing in digital infrastructure can help countries keep pace with evolving threats.
- **Enhanced Information Sharing:** Platforms like Interpol, Europol, and UNODC can be further strengthened for real-time data exchange and coordination.
- **Public-Private Collaboration:** Engaging tech companies to assist in cybersecurity and tracking digital crimes can boost crime prevention efforts.

Page 10 : GS 2 : Indian Polity – Federal Structure

The news addresses India's Vertical Fiscal Imbalance (VFI), where States handle most expenditure but collect less revenue, relying on Union transfers.

- The 15th Finance Commission highlighted this issue, suggesting that increasing tax devolution to States could balance finances, enhance spending efficiency, and support equitable fiscal federalism.

What is vertical fiscal imbalance?

The role of the 16th Finance Commission should be to eliminate vertical fiscal imbalance in federal relations. What should it do when revenues are concentrated with the Union government, and the States are burdened with expenditure responsibilities?

ECONOMIC NOTES

R. Mohan
R. Ramakumar

The financial relationship between the Union government and the States in India is asymmetrical, as in many other countries with a federal constitutional framework. As the 15th Finance Commission noted, States incur 61% of the revenue expenditure but collect only 38% of the revenue receipts. In short, the ability of the States to incur expenditures is dependent on transfers from the Union government. Consequently, there is the problem of Vertical Fiscal Imbalance (VFI) in Indian fiscal federalism where expenditure decentralisation overwhelms the revenue raising powers of the States.

Why should VFI be reduced?

Constitutionally, the financial duties of the Union government and the States are divided. On the revenue front, to maximise the efficiency of tax collection, the Personal Income Tax, the Corporation Tax and a part of indirect taxes are best collected by the Union government. But on the expenditure front, to maximise the efficiency of spending, publicly provided goods and services are best supplied by the tier of the government closest to its users. It is in this context that the extent of VFI merits attention.

The 15th Finance Commission had noted that India has had a larger, and rising, vertical imbalance than most other federations. These imbalances were further magnified during periods of crises, such as the COVID-19 pandemic, which drove a large wedge between one's own revenues and expenditure responsibilities at the sub-national level.

The problem of VFI falls under the purview of the Finance Commission, and it deals with broadly two questions. The first question is how to distribute the taxes collected by the Union government to the States as a whole. These transfers are made as a prescribed share of the "Net Proceeds" (Gross Tax Revenue of the Union less surcharges, cesses and costs of collection). The second question is how to distribute taxes across States. The matter of VFI arises as part of the first question.

Apart from devolving taxes, the Finance Commissions also recommend grants to States in need of assistance under Article 275 of the Constitution. But these are generally for short periods and for specific purposes. There are also transfers to the States that fall outside the Finance Commission's ambit. For example, the Union government spends substantial amounts – under Article 282 of the Constitution – on subjects falling in the State and Concurrent lists through centrally sponsored schemes and central sector schemes. But such grants are tied transfers that include conditionalities. In sum, the devolution of taxes from the net proceeds is the only transfer to the States that is untied or unconditional.

Estimation of VFI after devolution of taxes

The 15th Finance Commission had noted that India has had a larger, and rising, vertical fiscal imbalance (VFI) than most other federations

Year	VFI after tax devolution (as a ratio)	The desired share of tax devolution to eliminate VFI (%)
2015-16	0.12	47.82
2016-17	0.13	48.24
2017-18	0.12	47.59
2018-19	0.11	47.38
2019-20	0.18	51.17
2020-21	0.28	56.87
2021-22	0.14	47.90
2022-23 (RE)	0.20	51.42
Average (excluding 2020-21 and 2021-22)		48.94

SOURCE: COMPUTED FROM UNION BUDGET DOCUMENTS, AND STATE FINANCES: A STUDY OF THE BUDGETS, RBI.

Calculating VFI in India

Here we try to estimate the VFI in India after the devolution of taxes to the States. We measure VFI at the level of "all States", and not separately for each State. For this, we use a globally accepted method. We first estimate a ratio where the numerator is the sum of the Own Revenue Receipts (ORR) and the tax devolution from the Union government for all States. The denominator is the Own Revenue Expenditure (ORE) for all States. If this ratio is less than 1, it implies that the sum of own revenue receipts and tax devolution of the States is inadequate to meet the ORE of the States. If we subtract this ratio from 1, we get the deficit in receipts. It is this deficit that we use as a proxy for VFI after devolution.

We can then ask the simple question: how much should tax devolution rise over and above that recommended by the past Finance Commissions to equalise the ratio to 1? Equating the ratio to 1 would eliminate VFI. In the attached table, we show that the average share of net proceeds devolved to the States between 2015-16 and 2022-23 should have been 48.94% to eliminate the VFI. But the shares of tax devolution recommended by the 14th and 15th Finance Commissions were only 42% and 41%, respectively, of the net proceeds.

Raising tax devolution

Many States have raised the demand that the share of tax devolution from the net proceeds must be fixed at 50% by the 16th Finance Commission. They add force to this demand by pointing to the exclusion from the net proceeds of the substantial amounts of cesses and surcharges, which truncates the net proceeds within the gross tax revenue.

Our analysis in this article lends empirical support to this demand. Here, we have assumed the present levels of expenditures of the States as a given. At the aggregate level, these actually incurred expenditures have not only conformed to but also underutilised the borrowing limits specified in the fiscal responsibility legalisations. Even then, we find that the share of net proceeds devolved to the States must rise to about 49% to eliminate VFI. Such an increase in devolution would place more untied resources in the hands of the States to spend on their citizens. It would also ensure that States' expenditures better respond to jurisdictional needs and priorities, and that the efficiency of expenditures is enhanced. Overall, it will be a move towards a healthy system of cooperative fiscal federalism.

R. Mohan is former Indian Revenue Service officer. R. Ramakumar is Professor, Tata Institute of Social Sciences, Mumbai.

THE GIST

- As the 15th Finance Commission noted, States incur 61% of the revenue expenditure but collect only 38% of the revenue receipts. In short, the ability of the States to incur expenditures is dependent on transfers from the Union government.
- The problem of VFI falls under the purview of the Finance Commission.
- Many States have raised the demand that the share of tax devolution from the net proceeds must be fixed at 50% by the 16th Finance Commission.

Introduction to Vertical Fiscal Imbalance (VFI)

- The 15th Finance Commission highlighted that States in India face a significant Vertical Fiscal Imbalance (VFI).
- States incur 61% of the revenue expenditure but collect only 38% of the revenue receipts.

- This imbalance means that States rely heavily on transfers from the Union government for their expenditures.

Why VFI Needs Attention

- **Constitutional Division of Duties:** The Union and State governments have constitutionally defined financial responsibilities. The Union government collects major taxes like Personal Income Tax and Corporation Tax, while States handle expenditures on publicly provided goods and services.
- **Efficiency Considerations:** To maximise efficiency, it's ideal for the government closest to the service users to manage expenditures. However, States struggle due to the revenue gap.

Finance Commission's Role

- The Finance Commission addresses VFI by deciding on two key areas:
  - How to distribute the Union government's tax revenue to States.
  - How to allocate these resources among individual States.
  - VFI is related to the first area, focusing on how much tax revenue from the Union is devolved to States.

Current Financial Transfers

- **Grants and Transfers:** Besides tax devolution, Finance Commissions recommend grants under Article 275 of the Constitution for specific needs. Other transfers occur under Article 282 through centrally sponsored and central sector schemes, but these are conditional.
- **Untied Transfers:** Tax devolution is the only transfer that is unconditional and untied.

Estimating VFI in India

- There is a need to outline a method to estimate VFI at the aggregate level for all States, using a ratio of total own revenue receipts plus tax devolution to own revenue expenditure.
- If this ratio is less than 1, it indicates a VFI, with the deficit being used as a proxy for the imbalance.
- To eliminate VFI, the share of tax devolution needs to rise to about 48.94%, but the 14th and 15th Finance Commissions recommended only 42% and 41% respectively.

Call for Increased Tax Devolution

- Many States advocate for the 16th Finance Commission to fix the share of tax devolution at 50% of the net proceeds.
- Benefits: Higher devolution would provide States with more untied resources, align expenditures with local needs, and enhance the efficiency of spending, contributing to a more balanced fiscal federalism.

Conclusion

- Addressing VFI through increased tax devolution would support a more equitable distribution of fiscal resources and improve the efficiency of State expenditures, fostering a healthier system of cooperative fiscal federalism.

Page 10 : GS 3 : Disaster and disaster management

Recent landslides in Kerala's Wayanad district have highlighted the urgent need for effective climate finance.

- The UNFCCC's Loss and Damage Fund, established in 2022, aims to support regions impacted by climate change.
- However, challenges like bureaucratic delays and assessment gaps complicate access, underscoring India's need for better funding mechanisms.

Can Kerala access funds from the Loss and Damage Fund?

Is it easy for local communities at the sub-national level to access funds from international climate funds?

Neha Miriam Kurian
Thankom Arun

The story so far:

In the wake of the devastating landslides that recently struck Kerala's Wayanad district, a crucial conversation has emerged around whether subnational entities can seek compensation through the United Nations Framework Convention on Climate Change (UNFCCC)'s Loss and Damage Fund (LDF). While this demand is justifiable, accessing climate funds is far more complex than it appears.

What is the Loss and Damage Fund?

The Loss and Damage Fund (LDF) was established at the 2022 UNFCCC Conference (COP27) in Egypt to provide financial support to regions suffering both economic and non-economic losses caused by climate change. These include extreme weather events and slow-onset processes, such as rising sea levels. The LDF is overseen by a Governing Board that determines how the Fund's resources are disbursed, with the World Bank serving as the interim trustee. The Board is currently developing mechanisms to facilitate access to the Fund's resources, including direct access, small grants, and rapid disbursement options. Despite its intended purpose, concerns persist that climate funds are often too slow to be accessible immediately after a disaster, particularly for local communities at the sub-national level. It is anticipated that the LDF may face similar challenges.

What has been India's role?

India has suffered over $56 billion in damages from weather-related disasters between 2019 and 2023. Despite this, India has prioritised mitigation activities over adaptation in its National Climate Action Policy and budgets. This focus has led to a subdued participation in Loss and Damage dialogues at COP meetings. With certain regions in India being highly vulnerable to climate change, active engagement in these dialogues could bring substantial benefits.

Within India, there is an urgent need for a clear legal and policy framework to streamline climate finance, particularly for adaptation and loss and damage, in line with the principles of locally led

Landslide-hit Wayanad on August 1. REUTERS

adaptation, which are crucial for vulnerable communities. The introduction of a climate finance taxonomy in the Union Budget 2024 has raised expectations for increased international climate finance. However, without clear guidelines on accessing loss and damage funds within India, frontline communities will continue to be vulnerable. In international climate change negotiations, India should advocate for more decentralised methods of fund disbursement from the LDF, as opposed to the centralised systems used for other climate funds.

What have been State interventions?

Adaptation and loss and damage needs are more acutely felt at the ground level by State governments. For instance, in Kerala, it is the State government that bore most of the financial burden for disaster recovery. A notable example is the Rebuild Kerala Development Programme, launched in the aftermath of the August 2018 floods. This initiative was funded through loans from the World Bank and the KfW Development Bank, a German institution, illustrating the critical role of international climate finance in post-disaster recovery. The program focused on reconstructing the State's infrastructure, including roads and bridges, all of which had been severely damaged by the floods.

However, the absence of a standardised method for conducting comprehensive assessments of disaster-related damages, particularly those from slow-onset events, means that significant loss and damage needs that could qualify for assistance from the LDF may go unassessed. This lack of a structured assessment process could impede India's ability to access the LDF in the future. The situation in Wayanad district underscores the broader challenges India faces in accessing and managing climate finance, particularly for loss and damage. By establishing a more explicit domestic policy framework that focuses on locally led adaptation and clearer guidelines for accessing loss and damage funds, India can better protect itself from the impacts of climate change.

Neha Miriam Kurian is with the Kerala Institute of Local Administration. Thankom Arun is with the University of Essex.

THE GIST

The Loss and Damage Fund (LDF) was established at the 2022 UNFCCC Conference (COP27) in Egypt to provide financial support to regions suffering both economic and non-economic losses caused by climate change.

India has suffered over $56 billion in damages from weather-related disasters between 2019 and 2023. Despite this, India has prioritised mitigation activities over adaptation in its National Climate Action Policy and budgets.

Adaptation and loss and damage needs are more acutely felt at the ground level by State governments. Consequently, it is the State governments that often bear most of the financial burden for disaster recovery efforts.

India's Role and Challenges

- **Damage from Disasters:** India has experienced over $56 billion in damages from weather-related disasters between 2019 and 2023.
- **Focus on Mitigation:** India's National Climate Action Policy and budgets have prioritised mitigation over adaptation, resulting in less engagement in Loss and Damage dialogues.
- **Need for Framework:** There is an urgent need for a clear legal and policy framework in India to manage climate finance, especially for adaptation and loss and damage, and to support locally led adaptation efforts.
- **Expectations:** The introduction of a climate finance taxonomy in the Union Budget 2024 raises hopes for increased international climate finance but lacks clear guidelines for accessing loss and damage funds.

What is the Loss and Damage Fund (LDF)?

- **Establishment:** The LDF was established at the 2022 UNFCCC Conference (COP27) in Egypt.
- **Purpose:** It aims to provide financial support for regions suffering both economic and non-economic losses caused by climate change, including extreme weather events and slow-onset processes like rising sea levels.
- **Oversight and Management: Governing Board:** Oversees the LDF and determines the disbursement of resources.
- **Interim Trustee:** The World Bank serves as the interim trustee.
- **Disbursement Mechanisms:** The Board is developing mechanisms for accessing funds, including direct access, small grants, and rapid disbursement options.
- **Challenges:** Climate funds, including the LDF, are often criticized for being slow to become accessible immediately after a disaster, which can be particularly problematic for local communities at the sub-national level.

Need for State-Level Support:

- States like Kerala, which face acute climate impacts, bear substantial disaster recovery costs.
- The Rebuild Kerala Development Programme is an example of state-led recovery funded through international loans, highlighting the need for dedicated climate finance.

Challenges in Accessing the Fund:

- **Bureaucratic Delays:** Climate funds, including the Loss and Damage Fund (LDF), are often slow to disburse, particularly after disasters, affecting immediate relief efforts.
- **Lack of Standardised Assessments:** Absence of a comprehensive method for evaluating disaster-related damages, especially from slow-onset events, can hinder effective fund allocation.
- **Centralised Systems:** Current mechanisms for climate finance are largely centralised, potentially limiting the effectiveness of fund distribution at the local level.

Way Forward:

- **Develop Local Frameworks:** India needs clear legal and policy frameworks to streamline climate finance, focusing on locally led adaptation and clearer guidelines for accessing loss and damage funds.
- **Advocate for Decentralization:** In international forums, India should push for more decentralised disbursement methods to ensure funds reach affected communities more efficiently.
- **Improve Assessment Processes:** Establish standardised processes for assessing and quantifying disaster-related damages to better qualify for and utilise LDF resources.

Term In News : Valley Fever

Valley fever, a fungal disease endemic to the western United States, is seeing a significant rise in cases across California, prompting concerns among health officials and researchers.

About Valley Fever:

- Valley Fever, also called coccidioidomycosis, is an infection caused by the fungus Coccidioides.
- The fungus lives in soil in some areas, including the southwestern United States and south-central Washington, as well as in parts of Mexico as well as Central and South America.

Transmission:

- People and animals can get Valley Fever by breathing in spores, generally from dust or disturbed soil, in areas where the fungus is found.
- Most people who breathe in spores do not get sick, but some people develop mild or severe forms of the disease.
- Valley fever does not generally spread from person to person or from animal to people, with rare exceptions due to organ transplantation or wound contact.

Symptoms:

- Most of the time, Valley fever doesn't cause symptoms or symptoms go away on their own.
- Rarely, you can have ongoing lung issues or serious illness.
- Only about 1% of those who are symptomatic go on to develop severe disease. Serious complications include:
  - Pnuemonia
  - Fluid or pus in your lungs (pleural effusion or empyema).
  - Acute respiratory distress syndrome (ARDS).
  - Ruptured pockets of fluid or air in your lungs (hydropneumothorax).
  - Disease spreads outside of your lungs (disseminated coccidioidomycosis). When coccidioidomycosis spreads to your brain, you can develop coccidioidal meningitis, a life-threatening condition.
- **Treatment:** Mild cases of valley fever usually resolve on their own. In more severe cases, doctors treat the infection with antifungal medications..

Page : 08 Editorial Analysis

The Food Security Act has revamped the PDS

Reetika Khera

Professor of Economics at IIT Delhi

During the discussion on the National Food Security Act (NFSA) 2013, there was nervousness about guaranteeing food security through the Public Distribution System (PDS). The nervousness stemmed from the poor record of the PDS – according to National Sample Survey (NSS) data, in 2011-12, at the all-India level, leakages were at 41.7%.

The main argument in favour of continuing with the PDS was that States that had undertaken PDS reforms had witnessed major improvements. Between 2004-5 and 2011-12, several early reforming States saw a dramatic reduction in leakages: Bihar (from 91% to 24%), Chhattisgarh (from 52% to 9%) and Odisha (from 76% to 25%). With the same package of PDS reforms being mandated by the NFSA 2013, there was hope that more States could improve.

The NSS's Household Consumption Expenditure Survey (HCES) data for 2022-23 bears out this hypothesis. The HCES is the first large-scale nationally representative survey after the implementation of the NFSA 2013. It suggests that PDS leakages were down to 22% in 2022-23.

Understanding the data and methodology

PDS "leakages" refer to the proportion of PDS rice and wheat released by the Food Corporation of India (FCI) that fails to reach consumers. Leakages are estimated by matching NSS data on household PDS purchases with "offtake" data reported in the Monthly Food Grain Bulletin of the Food Ministry.

During the reference period (August 2022 to July 2023), PDS ration card holders were getting NFSA grain (five kilograms per capita per month for "Priority" households and 35 kg per month for "Antyodaya" households). In addition, they got Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) grain till December 2022, when PMGKAY Covid-19 relief was discontinued.

To arrive at the estimates presented here, offtake under NFSA including tide-over rations, Non-NFSA and PMGKAY is matched with HCES 2022-23 PDS purchase of (paid for and free) wheat and rice by households.

It is worth bearing in mind that these are estimates, the best possible with available data. Any mismatch between offtake and purchase is attributed to leakage, though there could be other reasons (transport losses, lags in supply and so on). For instance, the *Table* shows how lagging offtake by a month (July-June) yields a lower leakage estimate (17.6%), than if we match the offtake with the NSS reference period (August-July) - 18.2%. Both, however, are underestimates.

Why underestimate? Some States run an "expanded PDS", providing PDS grain to non-NFSA beneficiaries using central contributions (for example, tide-over rations and non-NFSA allocations) as well as State contributions (for example, local procurement). For example, Chhattisgarh's food security act, passed in 2012, made the PDS quasi-universal using local procurement. The all-India leakage estimates of 17.6%-18.2% are underestimates, because they only take into account central contributions, and not State contributions.

There are 14 crore non-NFSA beneficiaries, of whom at the most six crore are supported entirely through State contributions. If we add the State's contribution for State-supported non-NFSA beneficiaries to total offtake, the all-India leakage estimate rises to 22%.

Impact of NFSA on PDS coverage

One of the major PDS reforms included in the NFSA 2013 was an expansion of PDS coverage that was aimed at reducing exclusion errors, but had a 'spillover effect' on reducing leakages. In 2011-12, before the NFSA, less than 50% of households had ration cards, and the proportion of households getting anything from the PDS was around 40%. That was an improvement over 2004-05, when less than a quarter (24%) of households were accessing the PDS.

The improvement between 2004-5 and 2011-12 was driven by reforms in States such as Chhattisgarh and Odisha where the PDS coverage increased substantially in this period. For instance, in Chhattisgarh, there was a three-fold increase (from 21% to 63%) in the proportion of households using the PDS. According to HCES data, in 2022-23, the proportion of households buying from the PDS has increased further to 70%. In large part, this is the result of the rollout of the NFSA.

In spite of the improvement in coverage, the Centre is falling short of the coverage mandated by the NFSA (50% of rural population and 75% of urban population), i.e., around 66%. Earlier work, based on administrative data, suggested that only 59% had access to the PDS as NFSA beneficiaries. Similarly, according to the HCES, out of the 70% who access the PDS, only 57%-61% have NFSA ration cards. The rest (roughly 10%) are non-NFSA beneficiaries.

PDS reforms undertaken by early reforming States such as Chhattisgarh and Odisha included a reduction in PDS prices, doorstep delivery of foodgrains, digitisation of records, deprivatising management of PDS outlets by handing them over to panchayats, and self-help groups. These reforms were incorporated in the NFSA 2013 (Chapter V).

As mentioned earlier, by 2011-12, PDS leakage estimates in the early reforming States had already crashed. Since then, more States with high leakages have managed to reduce them. According to HCES 2022-23, it was 9% in Rajasthan. 21% in Jharkhand and 23% in Uttar Pradesh (all one-time basket cases).

Many believe that the integration of Aadhaar, especially Aadhaar-based biometric authentication (ABBA), led to the improvements in the PDS. Data from primary surveys, however, do not support this. Two surveys in 2017 in Jharkhand shed light on this issue. A study by Muralidharan, Niehaus and Sukhtankar found that leakages before the introduction of ABBA were already less than 20%. Drèze, Khera and Somanchi reported that the purchase-entitlement ratios (the proportion of entitlement that people actually purchased) in offline villages and ABBA villages were virtually the same – 94% and 93%, respectively. Both surveys found little evidence of ghost cards.

Somewhat puzzlingly, leakages in States where the PDS traditionally worked better have not experienced further improvements; in fact, in some, estimated leakages have increased (example, in Tamil Nadu from 12% in 2011-12 to 25% in 2022-23).

In perspective

The PDS is now a functional instrument of social policy, guaranteeing a modicum of food security to many. During the COVID-19 lockdowns, it formed the backbone of relief efforts, along with the National Rural Employment Guarantee Act. However, the PDS remains an endangered instrument of social policy, constantly subjected to "innovations". These include cash transfer experiments, door-step delivery to people's homes (in Delhi), and imposing inappropriate technologies (such as Aadhaar-based biometric authentication).

Instead of expending energy on ill-conceived measures (such as the ongoing eKYC drive for the PDS) that can easily derail the PDS, scarce government capacity should be channelled to expediting the delayed Census, that is leading to the exclusion of over 100 million people. Other demands such as the inclusion of more nutritious items such as pulses and edible oil remain relevant.

As anticipated, implementation of Public Distribution System (PDS) reforms as mandated in the National Food Security Act, has reduced leakages

PDS leakages - All India estimates, 2022-23

	No adjustment for State contribution	Adjusted for State contributions
Lagged offtake, July 2022 to June 2023	17.6%	21.6%
Matched offtake, August 2022 to July 2023	18.2%	22.1%

GS Paper 02 : Social Justice – Development and management of social sector/services

(UPSC CSE (M) GS-2 : 2015) How far do you agree with the view that the focus on lack or availability of food as the main cause of hunger takes the attention away from ineffective human development policies in India? (150 w/10m)

UPSC Mains Practice Question Critically analyse the impact of the National Food Security Act (NFSA) 2013 on the Public Distribution System (PDS) in India. Discuss the challenges of leakages, reforms in early-adopting states, and the role of Aadhaar-based biometric authentication (ABBA) in improving food security outcomes.. (250 w /15 m)

Context :

- The article discusses the impact of the National Food Security Act (NFSA) 2013 on the Public Distribution System (PDS), highlighting reduced leakages in food distribution since its implementation.
- It underscores reforms in early-adopting states and challenges with Aadhaar integration while calling for a focus on key systemic improvements.

Arguments in favour of Public Distribution System

- **States Role:** States that had undertaken PDS reforms had witnessed major improvements.
- **Between 2004-5 and 2011-12, several early reforming States saw a dramatic reduction in leakages:** Bihar (from 91% to 24%), Chhattisgarh (from 52% to 9%) and Odisha (from 76% to 25%).
  - With the same package of PDS reforms being mandated by the NFSA 2013, there was hope that more States could improve.
- **The NSS's Household Consumption Expenditure Survey (HCES):** is the first large-scale nationally representative survey after the implementation of the NFSA 2013 suggesting that PDS leakages were down to 22% in 2022-23.

Understanding the data and methodology

- **Defining leakages:** PDS "leakages" refer to the proportion of PDS rice and wheat released by the Food Corporation of India (FCI) that fails to reach consumers.
- **Estimating leakages:** Leakages are estimated by matching NSS data on household PDS purchases with "offtake" data reported in the Monthly Food Grain Bulletin of the Food Ministry.

- **Grain distribution:** From August 2022 to July 2023, PDS ration card holders received NFSA grain—five kilograms per person for "Priority" households and 35 kg per month for "Antyodaya" households. They also received PMGKAY grain until December 2022, when the Covid-19 relief program ended.
- **Dual checks:** To arrive at the estimates presented here, offtake under NFSA including tide-over rations, NonNFSA and PMGKAY is matched with HCES 2022-23 PDS purchase of (paid for and free) wheat and rice by households.
  - Any mismatch between offtake and purchase is attributed to leakage, though there could be other reasons (transport losses, lags in supply and so on).

Why is there an underestimation?

- **Expanded PDS by states**: providing PDS grain to non-NFSA beneficiaries using central contributions (for example, tide-over rations and non-NFSA allocations) as well as State contributions (for example, local procurement).
  - For example, Chhattisgarh's food security act, passed in 2012, made the PDS quasi-universal using local procurement.
  - The all-India leakage estimates of 17.6%-18.2% are underestimates, because they only take into account central contributions, and not State contributions.
- **State financial support:** There are 14 crore non-NFSA beneficiaries, of whom at the most six crore are supported entirely through State contributions.
  - If we add the State's contribution for State-supported non-NFSA beneficiaries to total offtake, the all-India leakage estimate rises to 22%.

Impact of NFSA on PDS coverage

- **PDS reforms:** included in the NFSA 2013 was an expansion of PDS coverage that was aimed at reducing exclusion errors, but had a 'spillover effect' on reducing leakages.
- **Improvement over 2004-05:** In 2011-12, before the NFSA, less than 50% of households had ration cards, and only about 40% were receiving anything from the PDS. At that time, just 24% of households were actually using the PDS.
- **The improvement driven by reforms:** in States such as Chhattisgarh and Odisha where the PDS coverage increased substantially in this period.
  - For instance, in Chhattisgarh, there was a three-fold increase (from 21% to 63%) in the proportion of households using the PDS.
  - According to HCES data, in 2022-23, the proportion of households buying from the PDS has increased further to 70%. In large part, this is the result of the rollout of the NFSA.
- **Shortfall in NFSA Coverage:** Despite improved coverage, the Centre is still below the NFSA mandate of covering 66% of the population (50% rural and 75% urban). Administrative data shows only 59% access the PDS as NFSA beneficiaries. According to the HCES, while 70% use the PDS, only 57%-61% have NFSA ration cards, with around 10% being non-NFSA beneficiaries.

- **PDS reforms undertaken by early reforming States:** such as Chhattisgarh and Odisha included reduction in PDS prices, doorstep delivery of foodgrains, digitisation of records, de-privatising management of PDS outlets by handing them over to panchayats, and self-help groups.
- **Reduction in PDS leakages:** By 2011-12, PDS leakages in early reforming states had already dropped significantly. Since then, more high-leakage states have followed suit. As per HCES 2022-23, leakage rates were 9% in Rajasthan, 21% in Jharkhand, and 23% in Uttar Pradesh, all previously high-leakage regions.
- **Role of Aadhar reforms:** Many believe that the integration of Aadhaar, especially Aadhaar-based biometric authentication (ABBA), led to the improvements in the PDS. Data from primary surveys, however, do not support this.
  - Two surveys in 2017 in Jharkhand shed light on this issue. A study by Muralidharan, Niehaus and Sukhtankar found that leakages before the introduction of ABBA were already less than 20%.
  - Drèze, Khera and Somanchi reported that the purchase-entitlement ratios (the proportion of entitlement that people actually purchased) in offline villages and ABBA villages were virtually the same — 94% and 93%, respectively. Both surveys found little evidence of ghost cards.
  - Somewhat, leakages in States where the PDS traditionally worked better have not experienced further improvements; in fact, in some, estimated leakages have increased (example, in Tamil Nadu from 12% in 2011-12 to 25% in 2022-23).

Conclusion

- The PDS has become a functional instrument of social policy, playing a crucial role during the COVID-19 lockdowns.
- However, it remains vulnerable to "innovations" like cash transfer experiments and inappropriate technologies such as ABBA.
- The government should focus on addressing significant issues, like the delayed Census and including more nutritious food items, rather than derailing the system with unnecessary changes.

What is Food Security?

- The concept of Food Security is multifaceted. Food is as essential for living as air is for breathing. But food security means something more than getting two square meals. It has following dimensions:
  - **Availability:** It means food production within the country, food imports and the stock stored in government granaries.
  - **Accessibility:** It means food is within reach of every person without any discrimination.
  - **Affordability:** It implies that having enough money to buy sufficient, safe and nutritious food to meet one's dietary needs.
- Thus, Food security is ensured in a country only when sufficient food is available for everyone, if everyone has the means to purchase food of acceptable quality, and if there are no barriers to access.

What is the Current Framework for Food Security in India?

- **Constitutional Provision:** Though the Indian Constitution does not have any explicit provision regarding right to food, the fundamental right to life enshrined in Article 21 of the Constitution can be interpreted to include the right to live with human dignity, which may include the right to food and other basic necessities.
- **Buffer Stock:** Food Corporation of India (FCI) has the prime responsibility of procuring the food grains at minimum support price (MSP) and stored in its warehouses at different locations and from there it is supplied to the state governments in terms of requirement.
- **Public Distribution System:** Over the years, Public Distribution System has become an important part of Government's policy for management of the food economy in the country. PDS is supplemental in nature and is not intended to make available the entire requirement of any of the commodity.
  - Under the PDS, presently the commodities namely 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.
- **National Food Security Act, 2013 (NFSA):** It marks a paradigm shift in the approach to food security from welfare to rights based approach.
- **NFSA covers 75% of the rural population and 50% of the urban population under:**
  - Antyodaya Anna Yojana: It constitute the poorest of-the-poor, are entitled to receive 35 kg of foodgrains per household per month.
- **Priority Households (PHH):** Households covered under PHH category are entitled to receive 5 kg of foodgrains per person per month.
  - The eldest woman of the household of age 18 years or above is mandated to be the head of the household for the purpose of issuing ration cards.
  - In addition, the act lays down special provisions for children between the ages of 6 months and 14 years old, which allows them to receive a nutritious meal for free through a widespread network of Integrated Child Development Services (ICDS) centres, known as Anganwadi Centres.

What are the Challenges Related to Food Security in India?

- **Deteriorating Soil Health:** A key element of food production is healthy soil because nearly 95% of global food production depends on soil.
  - Soil degradation due to excessive or inappropriate use of agrochemicals, deforestation and natural calamities is a significant challenge to sustainable food production. About one-third of the earth's soil is already degraded.
- **Invasive Weed Threats:** In the past 15 years, India has faced more than 10 major invasive pest and weed attacks.
  - Fall Armyworm (Pest) destroyed almost the entire maize crop in the country in 2018. India had to import maize in 2019 due to the damage caused by the pest in 2018.

- In 2020, locust attack was reported in districts of Rajasthan and Gujarat.
- **Lack of Efficient Management Framework:** India lacks strict management framwork for food security. Public Distribution System faces challenges like leakages and diversion of food-grains, inclusion/exclusion errors, fake and bogus ration cards, and weak grievance redressal and social audit mechanism.
- **Faults in Procurement:** Farmers have diverted land from producing coarse grains to the production of rice and wheat due to a minimum support price.
  - Further, there is a tremendous wastage of around Rs.50,000 crore annually by both improper accounting and inadequate storage facilities
- **Climate Change:** The monsoon accounts for around 70% of India's annual rainfall and irrigates 60% of its net sown area. Changing precipitation patterns and growing frequency and intensity of extreme weather events such as heatwaves, floods are already reducing agricultural productivity in India, posing a serious threat to food security.
  - To increase domestic availability amid low Kharif Crop productivity this year (2022), the Government of India has banned the export of broken rice.
- **Supply Chain Disruption Due to Unstable Global Order:** At a time when the Covid-19 Pandemic had already impacted food supply around the world in 2020, Russia-Ukraine War in 2022 has disrupted the global supply chain and resulted in food scarcity and food inflation.
  - Russia and Ukraine represent 27% of the world market for wheat, 26 countries, mainly in Africa, West Asia and Asia, depend on Russia and Ukraine for more than 50% of their wheat imports.

What Should be the Way Forward?

- **Moving Towards Sustainable Farming :** For ensuring Food Security in India , improvement in productivity through greater use of biotechnology, intensifying watershed management, use of nano-urea and access to micro-irrigation facilities and bridging crop yield gaps across States through collective approach should be at priority.
- There is also a need to look forward towards establishing Special Agriculture Zones through ICT based crop monitoring.
- **Towards Precision Agriculture:** There is need to increase the use information technology (IT) in agriculture to ensure that crops and soil receive exactly what they need for optimum health and productivity.
  - By adopting precision agriculture with high-tech farming practices, farmers' incomes will increase, input cost of production will be reduced, and many other issues of scale will be addressed.
- **Revitalising Aadhaar Seeding of Ration Cards**: To speed up the process of Aadhaar linking to ration cards, ground monitoring measures must be taken that will ensure no valid beneficiary is left out of their share of food grains that can give thrust to the aim of zero hunger (Sustainable Development Goal- 2).

- **Direct Benefit Transfer (DBT) Through JAM:** There is a need to streamline food and fertiliser subsidies into direct benefit transfers to accounts of identified beneficiaries through the JAM trinity platform (Jan Dhan, Aadhaar, and Mobile) that will reduce huge physical movement of foodgrains, provide greater autonomy to beneficiaries to choose their consumption basket and promote financial inclusion.
- **Ensuring Transparency in Food Stock Holdings** : Using IT to improve communication channels with farmers can help them to get a better deal for their produce while improving storage houses with the latest technology is equally important to deal with natural disasters.
  - Further, foodgrain banks can be deployed at block/village level, from which people may get subsidised food grains against food coupons (that can be provided to Aadhar linked beneficiaries).
- **Addressing Issues With an Umbrella Approach:** By looking at diverse issues from a common lens, such as inequality, food diversity, indigenous rights, and environmental justice, India can look forward to a sustainable green economy.