

**GOVERNMENT OF INDIA  
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
LOK SABHA**

UNSTARRED QUESTION NO:3124

ANSWERED ON:08.12.2009

CORRUPTION IN FCI

Jaiswal Shri Gorakh Prasad ;Rathwa Shri Ramsinhbhai Patalbhai

**Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:**

- (a) whether several discrepancies on expenses incurred by the Food Corporation of India (FCI) have been reported recently;
- (b) if so, the details thereof and the remedial steps taken in this regard;
- (c) whether any responsibility has been fixed against the FCI officials who have made such wasteful expenses;
- (d) if so, the details thereof alongwith the action taken against such officials;
- (e) the details of mechanism in place to monitor the activities/corruption in FCI;
- (f) whether the Government proposes to revamp the functioning of FCI to bring transparency in the organisation and check corruption; and
- (g) if so, the details thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a)&(b): Yes, Sir. The CAG has in its report No.CA 24 of 2009-10 laid in the Parliament on 9th July, 2009 pointed out certain discrepancies in expenses incurred by the Food Corporation of India (FCI). The observations relate to undue benefit to Roller Flour Mills and Atta Chakkies, excess reimbursement of transportation charges, unjustified payment of work based wages to labour, avoidable expenditure on transportation, failure to recover the value of short/damaged gunny bales, extra expenditure on advertisement, excess recovery of interest charges, wasteful expenditure due to hiring of a private godown and irregular expenditure due to purchase of new vehicles.

As per the laid down procedure the action taken note duly vetted by the C&AG on these paras will be furnished to the Committee on Public Undertakings (COPU) for their examination.

(c)&(d): Yes, Madam. Responsibility is fixed on FCI officials for wasteful expenditure. The details of disciplinary action taken against officials found responsible on account of wasteful expenditure in the last three years and current year are given in the statement at Annexure-I.

(e): The details of mechanism in place to monitor the activities/corruption in FCI are given at Annexure- II.

(f)&(g): With a view to improve the working of the Food Corporation of India (FCI), Government of India, Ministry of Consumer Affairs, Food & Public Distribution had engaged M/s. McKinsey & Co. in November, 2004 to undertake a study of FCI. The main objective of the study was to bring about efficiency improvement in the FCI's functioning.

The major improvement initiatives recommended by M/s McKinsey & Co. are given in the statement at Annexure-III.

**ANNEXURE-I**

ANNEXURE REFERRED TO IN REPLY TO PARTS (c) & (d) OF THE UNSTARRED QUESTION NO.3124 DUE FOR ANSWER ON 08.12.2009 IN THE LOK SABHA.

Details of disciplinary action taken against officials on account of wasteful expenditure pointed out are as under:-

Year	Disciplinary action initiated	Disciplinary action concluded	Disciplinary action and penalty imposed
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2006	30	28	
2007	9	8	
2008	15	10	
2009	(up to October)	3	-

## ANNEXURE-II

ANNEXURE REFERRED TO IN REPLY TO PART (e) OF THE UNSTARRED QUESTION NO.3124 DUE FOR ANSWER ON 08.12.2009 IN THE LOK SABHA.

Details of remedial action taken by the FCI to check wasteful expenditure are as under:-

- (i) Two bid tender system is being followed to have a level playing field and to have transparency.
- (ii) Wide publicity to all Notice Inviting Tenders (NITs) to generate fair competition. The tender notices are also uploaded on FCI website to create competition.
- (iii) Placing results of tenders awarded with names of the successful tenderers and rates etc. on website to ensure transparency.
- (iv) Examination of
  - (a) Internal Audit Report
  - (b) CAG Audit Report
  - (c) Observations of inspections by Chief Technical Examiner of CVC.
- (v) In-Depth study of
  - (a) Handling & Transport Contracts.
  - (b) Purchase procedures in FCI
- (vi) Monitoring Progress of disposal of complaints and vigilance cases.
  - (a) Surveillance of officers with doubtful Integrity. These officers are not posted in sensitive positions to avoid any scope of corruption.
- (vii) Use of computers, payment through ECS, restrictions on payment in cash.
- (viii) Up-gradation of mechanical weighbridges to Electronic Weighbridges.

## ANNEXURE-III

ANNEXURE REFERRED TO IN REPLY TO PARTS (f)&(g) OF THE UNSTARRED QUESTION NO.3124 DUE FOR ANSWER ON 08.12.2009 IN THE LOK SABHA.

Major improvement initiatives recommended by M/s McKinsey & Co. for FCI

- (i) Financial restructuring through multi-tiered debt structure to reduce the interest burden;
- (ii) Network optimization through linear programming of Rail Movement (Grain Flow Management);
- (iii) Consolidation of Handling & Transport Contracts;
- (iv) Changes in use and sourcing pattern of gunny bags;
- (v) Cost reduction by direct procurement of foodgrains and exclusion of intermediates;
- (vi) Exploring avenues for revenue generation by optimum utilization of all existing assets like godowns;
- (vii) More cost effective and efficient utilization of human resources through rationalization, automation and better Performance Management System (People Management System);
- (viii) Smart Trading approach for global trading in foodgrains;
- (ix) Creation of Price Monitoring Cell;
- (x) Management of operational costs;
- (xi) Management of idle Assets;
- (xii) Vigilance Administration and;
- (xiii) Performance review through defined parameters and fixation of accountability.