

PRESS RELEASE

Text of the D.O. Letter dated 27.4.2013 addressed by Selvi J Jayalithaa, Hon'ble Chief Minister of Tamil Nadu to Dr. Manmohan Singh, Hon'ble Prime Minister of India is reproduced below:

"I understand that the Government of India has decided to operationalise the Second Phase of the Direct Benefits Transfer Scheme from 1.7.2013. Three Districts of Tamil Nadu, Ariyalur, Pudukottai and Tiruchirappalli are proposed to be included in Phase I of the rollout of the Direct Benefits Transfer. I wish to convey my strong objections to certain aspects of the Direct Benefits Transfer and the manner of its operationalisation since they are clearly intended to bypass democratically elected State Governments. They fly in the face of federalism and democratic decentralization. They insidiously seek to secure for the Government of India unnecessary influence and authority over the finances of the States.

I wish to point out to you that as one of the most progressive and well governed States in the Country, **the Government of Tamil Nadu has already adopted the mechanism of Direct Cash Transfer, through bank accounts of the beneficiaries, for schemes which involve conditional cash transfers like Scholarships, Maternity Benefits, Social Security Pensions etc on its own initiative.** However, we have serious reservations about the Direct Benefits Transfer model adopted by the Government of India and now sought to be superimposed upon us. To begin with, we are strongly opposed to any move to monetize and transfer in cash the subsidy element under the Public Distribution System, and fertilizer, kerosene and LPG subsidies etc, where not just the quantum of subsidy, but the access to and timely availability of commodities is a critical concern.

We are equally opposed to the direct transfer of cash to the bank accounts of the beneficiaries by the Government of India bypassing the State Government altogether. This is neither an administratively sound practice nor in keeping with the spirit of federalism and democratic decentralization enshrined in the Constitution. Having the field machinery of the State Government carrying out the entire process of identification and verification, while the releases are done directly by the Government of India, will result in divorcing authority from responsibility and accountability. This model also violates a basic tenet of sound administration, which is that authority, responsibility and accountability

have to be fused together **at the same level** in order to ensure effectiveness and efficiency. Hence the proposed mechanism will **not** lead to sound outcomes.

We find that the Union Planning Commission has issued a series of instructions and guidelines on a number of conceptual and operational issues relating to Direct Benefits Transfer, with virtually no consultation with the State Governments. Once decisions are taken and the scheme is finalized unilaterally by the Central Government, the States are required only to place their field machinery at the disposal of the Government of India to implement the mechanism. **Are the State Governments expected to look on as mere bystanders, far removed from the process of administering the scheme, after having placed their entire field machinery at the disposal of the Government of India? This is clearly an infringement of the authority of the State Governments and totally violative of the federal polity of the Country and the spirit of democratic decentralization.**

We also have a number of reservations about the scheme design of the 25 schemes currently identified for the Phase II roll-out. We find that many of them are either pilot schemes implemented only in a few blocks or Districts in each State, or the amount of benefit sought to be transferred is very small and insignificant. Some of the schemes currently identified for the Phase II roll-out are schemes wherein the Centre and States share the cost and the respective shares are released to a Special Purpose Vehicle, which in turn releases it to the beneficiaries. In such cases, if the Government of India insists on Direct Benefits Transfer for its share, it will lead to more confusion and accountability is bound to suffer. The Janani Suraksha Yojana scheme is a clear case in point.

There are schemes like the Indira Gandhi Matritva Suraksha Yojana, which attempts to replicate a State scheme in Tamil Nadu namely, the Dr. Muthulakshmi Reddy Scheme, which provides a far higher benefit and much wider coverage. In such cases, direct release by the Government of India will lead to duplication and waste of resources and fall far short of the scale and range of benefits of the State scheme. In such circumstances, it would be administratively prudent to leave the implementation to the State, as is being done now, instead of trying to run a parallel and inadequate scheme directly by the Government of India in the name of Direct Benefits Transfer.

In the case of many scholarship schemes, the State Government meets the committed portion of the cost and the Centre reimburses the additional costs. In such cases, a beneficiary-wise demarcation of Central and State shares is not possible, and since the entire identification and verification process has to be done by the State Government machinery, Direct Benefits Transfer from the Central Government level does not seem prudent.

In these circumstances, the Direct Benefits Transfer Scheme, as presently envisaged by the Government of India, would become unmanageable and create more administrative problems than it is attempting to solve. It would also lead to lack of accountability. If the intention of the Government of India in introducing Direct Benefits Transfer into the bank accounts of beneficiaries is to ensure efficient delivery, then the Government of India should route its funds through the State Government, which is already progressively switching over to the bank mode of disbursement for all its beneficiary oriented schemes. The Government of India should confine its role to monitoring implementation. **I also strongly urge and reiterate that the Government of India should also give up its intention of moving to Direct Cash Transfer of subsidy for crucial schemes like the Public Distribution System and fertilizer and kerosene subsidy.**

Therefore, until our serious concerns are addressed, clarity is provided and a consensus is reached on the manner of transfer of resources to the State Government for disbursement to beneficiary bank accounts, **the implementation of the Central Direct Benefits Transfer in its present form should not be operationalised in Tamil Nadu.** I strongly urge you to move over to a Direct Benefits Transfer scheme through the State Government, which would not only make the roll out faster and more efficient but also enable this mechanism to be extended seamlessly to other schemes like Social Security Pension disbursement, which are not currently included in the list of 25 schemes to be covered at present. This would give the State Governments their rightful place as equal partners in the governance of the Country and not reduce them to becoming vassals in the structure of governance."

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