23

ASSISTANCE TO STATES FOR DEVELOPING EXPORT INFRASTRUCTURE AND ALLIED ACTIVITIES (ASIDE) SCHEME

MINISTRY OF COMMERCE AND INDUSTRY
(DEPARTMENT OF COMMERCE)

PUBLIC ACCOUNTS COMMITTEE (2010-11)

TWENTY-THIRD REPORT

FIFTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

TWENTY-THIRD REPORT

PUBLIC ACCOUNTS COMMITTEE (2010-11)

(FIFTEENTH LOK SABHA)

ASSISTANCE TO STATES FOR DEVELOPING EXPORT INFRASTRUCTURE AND ALLIED ACTIVITIES (ASIDE) SCHEME

MINISTRY OF COMMERCE AND INDUSTRY (DEPARTMENT OF COMMERCE)

सत्यमेव जयते

Presented to Lok Sabha on 31.08.2010

Laid in Rajya Sabha on 31.08.2010

LOK SABHA SECRETARIAT
NEW DELHI

August, 2010/*Bhadrapada,* 1932 (*Saka*)

PAC No. 1919

Price: Rs. 58/-

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fourteenth Edition) and printed by the General Manager, Government of India Press, Minto Road, New Delhi.

CONTENTS

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2010-11)

Dr. Murli Manohar Joshi —*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Ramen Deka
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Dr. K. Sambasiva Rao
9. Shri Yashwant Sinha
10. Shri Jitendra Singh (Alwar)
11. Kunwar Revati Raman Singh
12. Shri K. Sudhakaran
13. Dr. M. Thambidurai
14. Shri D. Venugopal
15. Shri Arun Kumar Vundavalli

Rajya Sabha

16. Shri Ashwani Kumar
17. Shri N. Balaganga
18. Shri Prasanta Chatterjee
19. Shri Kalraj Mishra
20. Shri N.K. Singh
21. Shri Tiruchi Siva
22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Ashok Sarin — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri M.K. Madhusudhan — *Additional Director*
4. Shri S.L. Singh — *Committee Officer*

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009-10)

*Shri Gopinath Munde —*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Khagen Das
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Dr. K. Sambasiva Rao
9. Shri Jaswant Singh
10. Shri Jitendra Singh (Alwar)
11. Kunwar Revati Raman Singh
12. Shri Yashwant Sinha
13. Shri K. Sudhakaran
14. Dr. M. Thambidurai
15. Shri Arun Kumar Vundavalli

Rajya Sabha

16. Shri Prasanta Chatterjee
17. Shri Sharad Anantrao Joshi
$18. Vacant
19. Shri Shanta Kumar
20. Dr. K. Malaisamy
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

* Appointed as the Chairman of the Committee *w.e.f.* 6th January, 2010 *vice* Shri Jaswant Singh resigned from the Chairmanship of the Committee.

$ *Vice* Shri Ashwani Kumar retired from Rajya Sabha *w.e.f.* 9th April, 2010.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2008-09)

*Shri Santosh Gangwar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Furkan Ansari
3. Shri Vijay Bahuguna
4. Shri Khagen Das
5. Shri Sandeep Dikshit
6. Shri P.S. Gadhavi
7. Shri Shailendra Kumar
8. Shri Bhartruhari Mahtab

**9. Vacant

10. Prof. M. Ramadass

***11. Shri K.S. Rao

12. Shri Sita Ram Singh
13. Shri Kharabela Swain
14. Shri Tarit Baran Topdar
15. Shri Arun Yadav

Rajya Sabha

16. Shri Raashid Alvi
17. Shri Prasanta Chatterjee
18. Shri B.K. Hariprasad
19. Shri Shanta Kumar
20. Prof. P.J. Kurien
21. Dr. K. Malaisamy
22. Sardar Tarlochan Singh

---

* Elected *w.e.f.* 17th December, 2008 *vice* Shri Rajiv Ranjan 'Lalan' Singh resigned his seat in Lok Sabha on 11th November, 2008.

** Prof. Vijay Kumar Malhotra resigned his seat in Lok Sabha *w.e.f.* 18th December, 2008.

*** Elected *w.e.f.* 17th December, 2008 *vice* Shri Brajesh Pathak ceased to be a Member of Committee consequent upon his election to Rajya Sabha.

INTRODUCTION

I, the Chairman, Public Accounts Committee, having been authorised by the Committee, do present this Twenty-third Report (15th Lok Sabha) on "Assistance to States for Developing Export Infrastructure and Allied Activities Scheme (ASIDE)" based on Report No. 18 of 2007 (Performance Audit), Union Government (Civil) of the Comptroller and Auditor General of India.

2. The Report of C&AG of India for the year ended March, 2006 No. 18 of 2007 (Performance Audit), Union Government (Civil) was laid on the Table of the House on 11th September, 2007.

3. The Public Accounts Committee (2008-09) selected the subject for examination and report. The Committee took evidence of the representatives of the Ministry of Commerce and Industry (Department of Commerce) on the subject at their sitting held on 2nd July, 2008. As the examination of the subject could not be completed due to paucity of time, the Public Accounts Committee (2009-10) re-selected the subject for examination. Further evidence of the representatives of the Ministry of Commerce and Industry (Department of Commerce) was held on 11th February, 2010. However, due to paucity of time they also could not finalize the Report on the subject. The Public Accounts Committee (2010-11) decided to carry forward the subject. The Committee considered and adopted the Report at their sitting held on 27th August, 2010. Minutes of the sittings form Appendices to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

5. The Committee thank their predecessor Committees for taking oral evidence and obtaining information on the subject.

6. The Committee would like to express their thanks to the representatives of the Ministry of Commerce and Industry (Department of Commerce) for tendering evidence before the Committee and furnishing information to the Committee in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
27 *August*, 2010
5 *Bhadrapada*, 1932 (*Saka*)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

REPORT

PART I

1. INTRODUCTORY

In the wake of liberalization and structural reforms in the economy exports have come to be regarded as an engine of economic growth. With a view to promoting and facilitating exports and creating attendant infrastructure, the Department of Commerce, Ministry of Commerce and Industry, Government of India launched a scheme namely 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE) on 13th March 2002 with an outlay of Rs. 97 crore for March 2002 and Rs. 1,725 crore for the 10th Five Year Plan (2002-2007). The objective of the scheme was to involve the States in the export effort by providing assistance to the State Governments (linked to export performance) to create appropriate infrastructure for the development and growth of exports in pursuance of EXIM Policy announcement made in March 2000. Outlay for the scheme under 11th Five Year Plan (2007-2012) was tentatively fixed at Rs. 3664.63 crore out of which the allocation for the year 2007-08 was Rs. 569 crore.

2. Three existing schemes for export promotion *viz*. Export Promotion Industrial Parks (EPIP), Export Promotion Zones (EPZ) and Critical Infrastructure Balancing (CIB) schemes were merged with the new scheme. After the merger of these schemes, the ongoing projects under the older schemes were to be funded by the States from the resources provided under ASIDE scheme. The scheme also subsumed the Export Development Fund (EDF), which was another existing scheme for export promotion, for North Eastern Region (NER), including Sikkim, involving the activities permitted under the existing EDF scheme guidelines (which differ from ASIDE scheme guidelines).

II. SALIENT FEATURES OF ASIDE SCHEME

(a) Allocation of funds

3. The ASIDE schemes outlay has to components—(i) 80 per cent of the funds were to be earmarked for allocation to the States on the basis of the approved criteria; this is called State Component; and (ii) The balance 20 per cent and amounts equivalent to un-utilized portion of the funds allocated to the States in the past year(s), if any, was to be retained at the Central level, to be known as Central Component for meeting the requirements of inter-State projects, capital outlays of EPZs/SEZs, activities relating to promotion of exports from the North Eastern Region as per the existing guidelines of EDF and any other activity considered important by the Central Government from the Regional or the National perspective. The proposals under the scheme must show a direct linkage with the Exports. The proposed investments should not duplicate the efforts of any existing organisation in the same field. The funding for the project should generally be on cost sharing basis, if the assistance is being provided to a non-government agency. However, the State Level Export Promotion Committee (SLEPC)/ Empowered Committee (EC) may consider full funding of the project on merits.

(b) Approval of Projects and Implementation

4. As per ASIDE scheme guidelines, an SLEPC headed by the Chief Secretary of the State and consisting of the Secretaries of concerned Departments at the State level and a representative of the States Cell of the Department of Commerce (DoC) and the Joint Director General of Foreign Trade posted in that State/region and the Development Commissioners of the SEZ/EPZ in the State within their jurisdiction as Members. SLEPC was to scrutinise and approve specific projects and oversee the implementation of the Scheme. The Central sector projects were to be approved and sanctioned by an EC in the Department of Commerce, headed by the Commerce Secretary and consisting of representatives from the Planning Commission and the respective Ministries as per the procedure prescribed. If any project has any bearing on the external sector, a representative of the Ministry of External Affairs is to be invited for the meeting of the Empowered Committee. The projects were to be implemented through various Implementing Agencies (IAs) which could be government agencies, trade bodies, individual exporters etc. The Implementing Agency of each project was to see that wherever feasible, users of the infrastructure would pay a service charge for the same, which could meet the expenditure on operation and maintenance of the infrastructure so created.

(c) Release of Funds

5. Funds under the State component were to be directly disbursed to the Nodal Agency (NA) nominated by the State Government subject ot the limit of the entitlement worked out on the basis of laid down criteria. On approval of the proposals by the SLEPC, funds were to be distributed to the implementing agencies by the nodal agency. Funds under the Central component were to be disbursed by the Department of Commerce to the Central nodal agencies on the basis of approval of proposals by the Empowered Committee.

(d) Organizational Arrangement

6. The Department of Commerce is responsible at the Central level for policy formulation, allocation of funds (Central and State component), consideration and approval of Central sector projects by EC, release of funds to nodal agencies, co-ordination with State nodal department, nodal agency and nodal officers; and monitoring and review of scheme. The Nodal agencies were to look after submission of project proposals for approval of EC; disbursal of funds to Implementing agencies; overseeing implementation of projects; and submission of utilisation certificates (UCs). Nodal officers (DC—SEZs/JDGFT: Development Commissioner, Special Economic Zone/ Joint Director General of Foreign Trade) were entrusted with the job of evaluation of physical and financial progress of the projects and submission of report to SLEPC, nodal agency and Department of Commerce.

7. At the State Level, nodal department were responsible for convening SLEPC meetings; preparation of annual/five year export plans; co-ordination with trade and industry, export promotion councils and Department of Commerce; and drawing up a shelf of location specific projects for approval of SLEPC. SLEPC was entrusted with the task of scrutiny and approval of State sector projects; overseeing implementation

of scheme; and allocation of funds for State sector projects. The Nodal agencies were responsible for disbursal of funds to IAs; overseeing implementation of projects; and submission of quarterly and annual reports on physical and financial status through website of the Department of Commerce.

(e) Audit Review

8. Audit conducted a performance review of ASIDE Scheme covering the period from March 2002 to March 2006 with the object of assessing whether the projects funded by ASIDE had an overwhelming export content and their linkage with exports was fully established; ASIDE had appropriate impact on promotion of export activities; there was adequate and effective control over the release of ASIDE funds, and such releases were linked to export performance; the process for planning and implementation of ASIDE project was adequate and effective, and the projects were executed economically and efficiently; and there were adequate and effective systems of monitoring at the Central and State levels. The Audit review had revealed several deficiencies; the importance of these are enumerated as under:—

- While the scheme envisaged creation of export infrastructure for specific purposes having direct and overwhelming linkage with exports, the audit showed that 57 State Sector Projects and 22 Central Sector Projects involving ASIDE funding of Rs. 169.24 crore and Rs. 8.35 crore respectively were either not covered under the scope of the scheme guidelines or were not of a capital nature;

- The Director General of Commercial Intelligence and Statistics (DGCIS) did not have data regarding the States from which items of export originated, and only had data about the entities which purchased such items prior to their export. This resulted in allocation of ASIDE funding to the States where purchasing entities were located rather than to States, which were producing the export items;

- The utilisation of funds released to some States was poor and further releases were made without adjusting the previous unspent balances, which resulted in excess/injudicious release of Rs. 94.12 crore, Rs. 131.60 crore, Rs. 114.17 crore and Rs. 228.97 crore during the years 2002-03, 2003-04, 2004-05 and 2005-06 respectively;

- Utilization Certificates (UCs) amounting to Rs. 37.75 crore and Rs. 61.71 crore were not received from 14 States and 22 Central Nodal Agencies respectively for periods ranging between two and eight years;

- In eight States there was no involvement of either private sector or any State Government contribution, while private participation was negligible in 12 other States; and

- Expenditure of Rs. 19.98 crore was rendered infructuous in eight States on account of rescinding contracts mid way and due to the infrastructure created lying unused.

9. These Audit findings and observations along with other relevant issues and the Ministry's submissions thereon have been discussed at length in the succeeding paragraphs.

III. INELIGIBLE ASIDE PROJECTS

10. As per the ASIDE Scheme guidelines; activities aimed at development of infrastructure for exports could be funded from the scheme, provided such activities had overwhelming export content and their direct linkage with exports was fully established. The scheme also envisaged creation of assets of capital nature only *i.e.* excluding activities of a revenue nature. The specific purposes for which the funds could be sanctioned and utilized are given below:—

(i) Creation of new Export Promotion Industrial Parks/Zones [including Special Economic Zones (SEZs)/Agri-Business Zones] and augmenting facilities in the existing ones.

(ii) Setting up of electronic and other related infrastructure in export conclaves.

(iii) Equity participation in infrastructure projects, including the setting up of SEZs.

(iv) Meeting requirements of capital outlay of EPIPs/EPZs/SEZs.

(v) Development of complementary infrastructure such as roads connecting the production centres with the ports and setting up of inland Container Depots and Container Freight Stations.

(vi) Stabilising power supply through additional transformers and islanding of export production centres etc.

(vii) Development of minor ports and jetties of a particular specification to serve export purposes.

(viii) Assistance for setting up common effluent treatment facilities.

(ix) Projects of national and regional importance.

(x) Activities permitted as per EDF in relation to the North Eastern States of Arunachal Pradesh, Assam, Mizoram, Manipur, Meghalaya, Nagaland, Tripura and Sikkim.

(a) Projects not covered under the Scheme Guidelines

11. Audit test check of 114 projects in the eight selected States, however, revealed that 46 approved projects (40 per cent of projects) involving ASIDE funding of Rs. 148.20 crore, against which an expenditure of Rs. 67.01 crore had been incurred, were not covered under the scheme guidelines. Further, test check of records in the Department of Commerce showed that 11 State Sector Projects in eight other States/ UTs *viz.* Andhra Pradesh, Gujarat, Karnataka, Lakshadweep, Meghalaya, Punjab, Rajasthan and Uttarakhand involving ASIDE funding of Rs. 21.04 crore and 22 Central Sector Projects relating to 13 Central Agencies involving ASIDE contribution of Rs. 8.35 crore, against which expenditure of Rs. 10.46 crore and Rs. 2.20 crore respectively

had been incurred, were also not covered under the guidelines. Further, activities like seminars, workshops, conferences, training programmes, expositions etc. were not covered under the scope of the guidelines of EDF for North East including Sikkim. Audit test check of records in the Department of Commerce, however, showed that 15 projects involving Central Assistance of Rs 1.12 crore, out of which Rs. 1.03 crore had been released, were sanctioned by the Department for such inadmissible activities.

12. Audit has noticed significant instances of the ineligible ASIDE projects and projects having no direct linkage with exports in several States. These, among others, include: upgradation of road not having a direct linkage with exports involving ASIDE funding of Rs. 9.15 crore in Gujarat; three projects relating to widening and strengthening of the roads in residential areas and having no linkage with export invloving ASIDE funding of Rs. 3.80 crore in Haryana; three projects relating to power supply with ASIDE funding of Rs. 1.61 crore and two projects relating to water supply and premixing of road and construction of culverts in industrial area involving ASIDE funding of Rs. 0.76 crore in Himachal Pradesh; four projects relating to airstrips involving ASIDE funding of Rs. 34.13 crore and three projects involving ASIDE funding of Rs. 24.95 crore for providing infrastructure facilities like railway over-bridge, construction of approach road and providing water and power supply for the floriculture units and two projects related to construction of approach road to wine parks costing Rs. 3.62 crore in Maharashtra. Three projects costing Rs. 2.10 crore relating to land development, brick wall fencing, improvement of ceiling etc. in the existing warehouse, trade centre and Land Custom Station complex in Manipur; and one project relating to Trade and Exhibition Centre involving ASIDE funding of Rs. 6.18 crore in Uttar Pradesh.

13. Further 22 ineligible Central Sector Projects under ASIDE Scheme were approved which were either not covered under the specified approved activities or were of revenue in nature such as—preparation of DPR/feasibility reports; development of road, waiting hall, canteen and other infrastructure activities; accommodation for police personnel; purchase of software, hardware, furniture and office equipment; and cost of interior decoration and furnishing of Custom Rest Room-cum-Communication Facilitation Centre etc.

14. Asked to state the reasons for not adhering to the scheme guidelines while approving as many 79 ASIDE projects involving about Rs. 177.59 crore, the Ministry in a note furnished to the Committee have contended that all these projects have overwhelming export content and were covered under the provisions 'Projects of National and Regional Importance' of the approved purposes.

15. According to Audit, the aforesaid reply of the Ministry was not tenable in view of the fact that the aforementioned projects did not satisfy the stipulated requirements of the scheme *viz*. that they should: (i) be covered under the specified approved activities of the Scheme; (ii) be of capital nature; and (iii) have direct and overwhelming linkage with exports and maintained that those projects cannot be treated as eligible.

16. Further, according to Audit, 37 State Sector and 14 Central Sector Schemes, which were ineligible otherwise, were taken up under ASIDE Scheme as 'Projects of

National and Regional Importance'. When asked to explain as to how schemes/projects of such nature qualify under ASIDE Scheme, the Ministry in a note stated as under:—

> "Apparently, Projects of National and Regional Importance is one of the specific purposes of the scheme. The Empowered Committee or SLEPC, as the case may be, may take recourse of this provision for funding export infrastructure projects which are important from regional/national perspective but are not explicitly mentioned in specific purpose of the ASIDE guidelines."

17. The Committee desired to know as to how a particular project was determined and approved as having 'direct and overwhelming linkage with exports' and whether any criteria have been fixed in this regard. The Ministry in their note stated that no specifric criteria had been fixed in the guidelines to establish direct and overwhelming linkage of a project with exports through guidelines provide certain parameters to be included in the detailed project Report for scrutiny by SLEPC. The report should also contain, *inter alia,* detailed cost benefit analysis, details of cost of each component of the project, benefits accruing from the projects in both qualitative and quantitative terms, for growth and exports. These might be utilized establishing export linkage of a proposal.

18. When these issues were pointed out by the Coommittee, the Secretary, Department of Commerce during evidence explained the Department's position as under:—

> "The scheme was primarily as small effort to try and associate to give incentives the States to take part in export activity which is also a major economic activity now in the country. The total amount for the development of export infrastructure comes to Rs. 22,00,000 crores. Almost anything can be called as export infrastructure including any truck going through a national highway in that particular road. The total amount, which is given under the ASIDE scheme, is running between Rs. 2000 to Rs. 3000 crore. It is a very insignificant portion of the total infrastructure. The whole purpose of the ASIDE scheme is to focus the attention of the State Governments to show that there is something which they have to do towards exports which is important for the development of the infrastructure of exports."

19. The witness added:—

> "I would like to say that at the State level there is tremendous pressure at various levels for finding funds linked to infrastructure. Some times they want a project report for a study to be done linked to exports. Then, some times the State Level Empowered Committee may feel that one project which is part of the overall infrastructure, can be linked to exports and therefore to be allowed. Some times we find it to be difficult to be very very rigid."

20. The witness further stated:—

> "This is primarily just an incentive to the States to focus their attention on export infrastructure. So, many a time the State Governments have also used this money for something not directly linked to export infrastructure. But

some times they have said this will lead to export infrastructure. We have gone by the discretion of the State Level Empowered Committee. But I agree that in a few cases it has not been really directly relevant and we have directed the State Governments to take the corrective action."

(b) Approval of Ineligible ASIDE Projects by SLEPCs

21. The Committee enquired as to whether the Ministry had analysed the reasons for lack of proper alignment of ASIDE scheme with the export promotion activities. In response, the Secretary, Department of Commerce during evidence stated as under:—

"The State-level Empowered Committes have and, I think, we have also been quite broad in not trying to make the release strictly in accordance with the guidelines of the Scheme. Now, it is really for the Committee to say whether a particular road, which has been built, serves the purpose or not. I just give one example. In Uttar Pradesh, we have got a particular report about Chilla-Gupiganj Marg connecting Badayun and Mirzapur carpet cluster with NH-2. It says that the improvement of the road has been done to facilitate carpet exports in that area. Now, the point is whether carpet exports would have taken place without that or having done that particular road, slightly better exports would have taken place. In that sense, we have not been that strict in monitoring that. We have left it to the discretion of the State Chief Secretary. The Empowered Committee decides whether this particular road is useful for making exports or not. This report is about upgradation of roads and drains in Badayun to facilitate exporters of Badayun cluster, and it has given the value of exports. I think, that is where we have been slightly more, shall I say, liberal in interpreting anything which has been linked to exports. As I mentioned earlier, the Audit Report has pointed out rightly that it is not strictly as per the guidelines."

22. On being asked whether there was any mechanism in the Ministry to check proposals of the State Governments and to see that they conform to the guidelines the Secretary, Department of Commerce during evidence deposed as under:—

"We have always believed that to a certain extent, this 80 per cent of bulk allocation to the States was given on a particular basis. They give us a shelf of projects, and the State-level Empowered Committee has a number of other Departments including the representatives of the Department of Commerce. We have not been very strict in trying to see that linkage is exactly as per the guideline, and that is a point, which the Audit Report has pointed out. Now, we have reiterated it very clearly. If there is a road and there is an improvement to that road, we would say that it helps exports. If somebody wants to put up a transformer and stabilizes the power that is good for the industry and, therefore, more exports can take place. Our explanation has been that stabilizing of power is something, which is good, and it is linked to exports. It could be something, which the State Government should do on its own and with their budget. Even for the larger States, the total amount, which has been given, is about Rs. 10 crore or Rs. 12 crore a year. Many of the States are getting Rs. 1.5 crore; Rs. 2 crore; and so on. So, it is a very small amount."

23. Taking cognizance of the fact that in some cases it is the responsibility of local bodies and State Government to construct infrastructure such as roads and bridges, the Committee sought to know the rationale behind using ASIDE funds for creating infrastructure, which lie within the domain of the States. In reply, the Ministry stated that States did not perceive direct gain from the exports and also did not have adequate resources to create export infrastructure. The ASIDE guidelines provided for development of complementary infrastructure such as roads connecting the production centres with the ports, setting up of Inland Container Depots and Container Freight Stations which were different from general common infrastructure such as roads, bridges etc. Exporting community sometimes found waiting for creation of complementary infrastructure by the State Governments/local bodies; therefore, the use of ASIDE funds for such infrastructures with overwhelming export content was necessary.

24. The Committee enquired about the measures the Ministry had taken to ensure that ASIDE funds were disbursed only to infrastructure projects with direct linkage to exports, the Secretary, Commerce during evidence informed the Committee that they had taken note of the point of the Audit and they would see the manner in which the controversial schemes were approved with a view to tightening it and ensuring in future that much more strict discipline was followed at the State Level Empowered Committee.

25. Asked to elaborate steps taken to streamline the functioning of SLEPC, so that only eligible and more rewarding ASIDE Projects are taken up the Department of Commerce have stated that the review meetings were held in Department of Commerce with the State Governments Agencies/Central Agencies to educate the States on above aspects with view to ensure that State Governments approve only those projects under the ASIDE scheme which have linkage to the exports. The Ministry had requested the Development Commissioners of the SEZs/EPZs and Jt. DGFTs, who were members of SLEPCs toregularly monitor the efforts of nodal agencies in selection of location and preparation of shelf of projects to be implemented in next 2-3 years and also impress upon nodal agencies to finalize agenda items 15 days in advance and obtain a copy of same. The agenda items so obtained might be discussed with concerned EPCs and other export bodies so as to assess the outcome of the project. The feedback obtained from EPCs and export bodies might be placed before the SLEPC during the meeting which might form as input for prioritization/approval or otherwise of the project. They had also been requested to send a report to Department of Commerce after attending the SLEPC covering the aspects like details of project, physical and financial phasing of the projects and expected outcome from export angle. Any wrong project (having no export content) approved by SLEPC should be brought to the notice of Department of Commerce.

26. On being asked whether the Ministry contemplated to revise the existing guidelines, the Committee have been informed as under:—

> "The existing guidelines are adequate, comprehensive, explicit and realistic. The Ministry, as such, do not contemplate to modify the guidelines. There were some instances where some components of the project like seminars, workshops, conferences, training programme etc. were approved under EDF

scheme. These were not specifically mentioned in the EDF guidelines. These activities have been brought under the provision of EDF scheme."

IV. LOW UTILISATION OF SANCTIONED FUNDS

27. The year-wise allocation/release of funds under ASIDE Scheme as on 19.10.2007 and the expenditure incurred there against was as follows:—

(*Rs. in crore*)

Year	State Sector			Central Sector		
	Amount Released	Expenditure	% expenditure to amount released	Amount Released	Expenditure	% expenditure to amount released
2001-02	43.52	00.00	0	6.00	00.00	0
2002-03	241.00	104.00	43	85.27	24.13	28
2003-04	252.00	217.79	86	99.42	59.08	59
2004-05	313.84	225.97	72	111.04	100.15	90
2005-06	383.00	266.00	69	121.29	63.75	53
Total	***1233.36***	***813.76***	***66***	***423.02***	***247.11***	***58***

28. An analysis of the above shows that the utilization of funds during the years from 2002-03 to 2005-06 ranged between 43 to 86 per cent under the State Sector and between 28 to 90 per cent in respect of the Central Sector Schemes. According to Audit, in the case of six States/UTs *i.e.* Andaman and Nicobar, Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Daman and Diu and Lakshadweep, out of Rs. 21.07 crore, there was no expenditure during March 2002 to March 2006. In five States/UTs *i.e*. Assam, Chandigarh, Delhi, Meghalaya and Uttarakhand, the expenditure of Rs. 34.77 crore was only 44 per cent of the release of Rs. 79.82 crore. Further, in 14 States/UTs *i.e.* Chhattisgarh, Goa, Gujarat, Karnataka, Kerala, Maharashtra, Mizoram, Orissa, Pondicherry, Punjab, Sikkim, Tripura, Uttar Pradesh and West Bengal, the expenditure of Rs. 440.43 crore was 61 per cent of the release of the total amount of Rs. 717.97 crore released. As regards the Central Agencies, 15 out of the 37 agencies had not incurred any expenditure out of Rs. 35.25 crore released to them during 2001-02 to 2005-06, while the expenditure in respect of 11 Agencies ranged between 30 and 60 per cent of the releases.

29. On being asked whether the reasons for poor utilisation of funds by the States/UTs and Central Agencies had been analysed, the Ministry in a note stated that a meeting was held under the Chairmanship of the Minister of State (Commerce) on 15.11.2006 to review the impact of ASIDE scheme with all the State Governments. The common problems faced by State Governments with respect of utilization of funds were stated to be as follows:—

(i) Agencies implementing the projects did not raise the bills in time.

(ii) Utilization Certificate were furnished but not received by the Central Government.

(iii) Infrastructure projects were big by their very nature and needed more time to complete, hence funds remained unutilized.

(iv) The State Governments were not clear as to which years' UC was required to be submitted.

(v) UCs become due immediately after the release of sanction while after receiving the sanction SLEPC took time to decide the project thereby curtailing time for implementation and furnishing UCs.

(vi) The projects taken for implementation were large. Part of the fund was utilized but UCs could not be submitted till entire funds were exhausted. So UCs in part might be accepted.

(vii) Uploading information in website was a problem.

30. The Ministry have further stated that the following remedial measures have been taken to streamline the utilization of funds by States/UTs so as to remove mismatch between the utilization and release of funds:—

(i) The reminders regarding the due Utilization Certificate are now being sent through automated e-mail clearly stipulating the financial year and the date on which UC is due.

(ii) Wherever, the State Government request the extension of time for submission of UC on genuine grounds, the same is taken up with Department of Expenditure, who are the competent authority for such extension of time.

(iii) The releases to the States are being made only after securing the pending utilization certificates. Delays in releases to States are only due to non-submission of due UCs in time and/or due to slow pace of expenditure over the previous releases. States are advised to improve on these counts, so that funds could be released to them in time and longer period for utilization of funds could be availed by them.

(iv) Whenever, States/UTs/Central Agencies face any problem in uploading the website, they are guided suitably by the Ministry.

31. In this context, the Committee desired to know the current status of the funds released under ASIDE scheme and expenditure incurred there against. In their written reply, the Ministry stated as under:—

> "The total funds released to States/UTs/Central Agencies under ASIDE Scheme upto 2007-08 are Rs. 2,62,812.10 lac where as the total expenditure by these agencies against above release is Rs.2,16,320.25 lac. Thus the gap between funds released and expenditure incurred is Rs. 46,491.85 lac. It is also mentioned that out of this gap, Rs. 569,00.00 lac were released during 2007-08 for which utilization certificates would be due on 31st March, 2009. Thus the gap between released and expenditure is satisfactory."

V. FUNDS NOT ALLOCATED ON THE BASIS OF EXPORT PERFORMANCE

32. As per the ASIDE Scheme guidelines, the State component of the funds was to be allocated to the States in two installments of 50 per cent each. The *inter-se* allocation of the first installment of 50 per cent was to be calculated on the basis of the share of the States in the total exports of the country and the second installment of the remaining 50 per cent was to be allocated among the States on the basis of their share in the average of the growth rate of exports of the country over the previous year. The allocations were to be assessed on the basis of the export data available from the office of the Director General of Commercial Intelligence and Statistics (DGCIS), which was to be compiled from the State of origin indicated in the shipping bills.

33. Audit review has revealed that during the period 2002-03 to 2005-06, the Department of Commerce made State-wise allocations of funds on the basis of *ad-hoc* assessment and not on the basis of the specified twin criteria of export performance and share in growth rate of exports, on account of incompleteness/inaccuracies in export data reported by the DGCIS. Audit has found that the entry regarding State of origin was blank or invalid in a large percentage of shipping bills. Further, according to Audit, the Department of Commerce itself observed that the DGCIS figures did not reflect a "completely correct" picture of exports from the States, as a large number of buying houses based in metropolitan centres sourced the products from several States, and those exports were recorded against the States from where those exports were shipped out, and not against the State of origin. Further, many of the products were not manufactured at a single location in a particular State. Their components were sourced from other States as well, a fact not possible to reflect adequately in the State of origin column in the shipping documents.

34. During their review, Audit have noted that at the time of formulation of the scheme in 2002, on an issue being raised by the Planning Commission regarding non-availability of export data from the States, the Department of Commerce had explained that there was no difficulty in capturing the data, as the shipping bill format had been amended with effect from April 2001 to provide for indication of State of origin of the products. However, the *adhoc* allocation of ASIDE funds to the States, without adhering to the criteria specified in the guidelines, indicated that the main objective of giving assistance to States based on export performance was not complied with.

35. The Committee enquired about the criteria for allocation of quantum of funds to the States/UTs under ASIDE scheme and the reasons for allocating ASIDE funds on the basis of *ad-hoc* assessment instead of the specified criteria of export performance and growth rate of exports. In response, the Ministry stated in a note as under:—

> "As full and reliable data about the exports from the States is not likely to be available during the year 2001-2002, the State-wise allocations will be made on the basis of the project proposals received from the State Governments. The funding of Export Develpment Fund for NER and Sikkim will be made out of this earmarked outlay and the balance amount will be distributed *inter-se* among the States on the basis of the export performance criteria as laid down. Allocation amongst N.E. States will also be done on the basis of criterion mentioned above.

> The *ad-hoc* allocations were made because realistic State-wise export data were not available on time."

36. While admitting that there were deficiencies/inaccuracies in the compilation of export data of the States, the Secretary, Department of Commerce during evidence stated as under:—

> "Overall the criteria have been fifty per cent on exports and fifty per cent on the growth of exports. We try to follow, by and large, starting with an *ad-hoc* allocation. But we have made sure that final allocation gets adjusted more or less in line with this. We have one weakness with the entire data. It is that although the export shipping bill has a column which says that it should indicate the State from which the actual manufacture has taken place, some times it happens that in case of States like Delhi, a lot of people from Uttar Pradesh, Haryana, Punjab, etc. the merchant exporter books their export through Delhi. So, you will find that large amount of export is shown as being based in Delhi. Even though it may come from UP or Haryana or Punjab, Delhi gets the credit and not UP, Haryana or Punjab. We have not amended the notification and we are making it mandatory for the exporter to ensure that that column is filled up. Otherwise, his IEC code may get cancelled, so that we are able to monitor the actual source of exports in a much better manner. We know that some States are showing these extra exports, whereas the export is not really taking place from there. We have made a little bit of *ad-hoc* sort of deductions."

37. The Ministry further stated that efforts were being made to capture more realistic State-wise export data in consultation with DGFT and SEZ. Division and the review of the allocation criteria in order to make it more just and equitable was under their active consideration.

38. Asked whether the Ministry had finalized the revised criteria for funds allocation with the approval of the competent authority, the Ministry in a note explained their position as under:—

> "The Department had engaged IL&FS to propose few models for revised allocation criteria. The models proposed by them were found to be very complex and convoluted. The infrastructure index like per capital road/power consumption etc. used for constructing an index by IL&FS was leading the scheme to adopt industrial infrastructure approach rather than "export infrastructure approach". Hence it was not found appropriate to capture gaps in export infrastructure. Department, therefore, approached Ministry of Statistics and Programme Implementation for appropriate methodology. They suggested, conducting all India census of SSI units by putting a "contextual variable" in the schedule of enquiry, in order to identify clusters, which are manufacturing exportable goods. This may capture the data regarding export made by manufacturer exporter in SSI sector only. Data would come after a lag of 5 years and may not satisfy the existing criteria for annual allocation as approved by the Cabinet. During the discussions, they have generally

> suggested to adopt export clusters approach, which may require total change in the objective and structure of the scheme. The ASIDE scheme envisages recognition to those States, which are involved in promotion of exports by providing them higher allocation for creation of infrastructure critical for export. To streamline the mechanism of capturing realistic State-wise export data we are consulting various EPCs, DGFT and DC, SEZs."

39. The Committee's examination of the subject have revealed that only five to six better performing States on the export front have derived the maximum benefit of ASIDE Scheme. For instance, Gujarat and Maharashtra receivd more than two-thirds of total allocation during 2008-09 *i.e*. Rs. 343.41 crore out of Rs. 456 crore, while allocation to some of the performing States like Punjab, Haryana, Himachal Pradesh, Goa, Madhya Pradesh, Karnataka, Tamil Nadu and Kerala were abnormally reduced over the previous year's allocation. In this regard, the Department of Commerce stated that in order to ensure that benefit of the scheme is spread over to cover more States; change in the criteria of allocation of ASIDE funds amongst States/UTs was being considered.

40. On being asked whether the Ministry propose to make allocation of ASIDE funds on the basis of export potential rather than the past export performance of the States so that encouragement was given to the States which had high export potential but were currently lagging behind, the Ministry in a note replied as under:—

> "Ministry does not propose to make allocation of ASIDE funds on the basis of potential for export promotion to encourage the States which have high export potential but are currently lagging behind. The reason behind it may be that the scheme in its present form provides enough scope to SLEPC to focus on centres/Local needs where such export content is available/established and they can implement projects to improve the export from those centres. In such a way the State can increase its export performance and avail higher allocation next year. The current principle provides ample scope dynamism optimizing efforts of States/UTs in growth of exports. Moreover, Ministry has not received any request from State Governments to provide allocation of ASIDE on the basis of potential for export promotion rather than past export performance."

VI. AMOUNT SANCTIONED IN EXCESS OF ADMISSIBILITY

41. The Scheme guidelines stipulated that only up to 50 percent cost of the construction of Central Effluent Treatment Plant (CETP) could be sanctioned as assistance. However, in Punjab and Andhra Pradesh, Rs. 4.78 crore and Rs. 2.00 crore respectively, being 100 percent cost of two CETP projects, were sanctioned during 2005-06, which resulted in excess sanction of Rs. 3.39 crore. Further, in Manipur, an amount of Rs. 0.38 crore was sanctioned to an NGO, under EDF, in excess of the entitlement.

42. In their reply, the Ministry stated that while the ASIDE guidelines had already been circulated for strict compliance, the concerned States would again be instructed to meet only 50 per cent of the construction of CETP from ASIDE funds. In case

expenditure in excess of 50 per cent from ASIDE funds had been incurred for the project, the same would be adjusted against future allocations, unless the State Government agreed to release an equal amount for other projects under ASIDE.

VII. EXCESS RELEASE OF FUNDS

43. As per the Scheme guidelines, unutilized funds, if any, out of the allotted funds were to be counted against allocations for the next year and suitable deductions for equivalent amounts were to be made from the allocations of next year. Audit scrutiny of records, however, revealed that while releasing the subsequent installments during the years 2002-03 to 2005-06, the Department of Commerce did not ensure full utilization of the previous installement, which resulted in excess/injudicious release, as detailed below:

(Rs. in crore)

Year	Unspent Balance at the end of the previous year	Release by DOC	Excess Release (due to non-adjustment of unspent balance)
2002-03	127.05	219.00	94.12
2003-04	175.68	198.00	131.60
2004-05	144.28	225.38	114.17
2005-06	244.85	379.80	228.97

44. On being enquired whether the unspent balances were now being deducted from the future allocations to the respective States/UTs/Implementing Agencies, the Ministry in their reply stated that they had written to all States/UTs about possibility of deducting funds. As replies from number of States were awaited, they had not made any assessment on this issue. The Ministry further Stated that such deductions, though might bring some financial discipline, yet these might affect the implementation of ongoing projects, which were delayed on genuine grounds for want of funds. During 2007-08, the following deductions were made from the sanctioned amount of West Bengal, Chhattisgarh and Council for Leather Exports on accounts of unspent balances for which UCs were due:—

(a) Rs. 1,15,00,000/- from Chhattisgarh (As un-utilized amount)

(b) Rs. 4,00,000/- from West Bengal (against non-submission of UC)

(c) Rs. 1,50,000/- from Council for Leather Exports (Establishment of two CETPs/ Leather Industrial park at industrial Growth Centre, Lassipora, Pulwama and Industrial Growth Centre, Samba, J&K).

45. In a subsequent note, the Ministry elaborated about the current status of the above mentioned cases as under:—

> "Lump-sum funds are allocated to the States/UTs on the basis of approved criteria for allocation. The funds so released to States are utilized by them for

funding projects approved by SLEPCs. The details of further release of funds to agency executing the project and un-utilized funds balance with them are monitored by SLEPC/Nodal Agency. The Ministry does not obtain project-wise utilization certificate from States. We obtain utilization certificates for the lump-sum funds sanctioned to a State. Pending utilization certificate which are due for rendition are kept into account while sanctioning further funds to a State. Therefore, the Ministry was not aware of unspent balacne available at implementing agency/executing agency level.

In order to monitor the funds availability at the implementing agency level, Ministry has requested DCs, SEZ to hold quarterly meeting with Nodal Agencies and make an analysis of the funds balance with nodal agency, funds released to implementing agencies by nodal agency of States under the jurisdiction and funds lying unspent with each implementing agency and furnish a report to DoC. Department of Commerce while releasing funds to State Government may take into account the report of DCs sent after holding such meetings."

VIII. INCORRECT FINANCIAL REPORTING AND NON-SUBMISSION OF UTILIZATION CERTIFICATES

46. Audit test check of records has brought out that the Department of Commerce had not received the Utilisation Certificates (UCs) from 14 States Nodal Agencies and 22 Central Agencies against Critical Infrastructure Balancing (CIB)/ASIDE funds of Rs. 37.75 crore and Rs. 61.71 crore respectively released to them during the years 1997-98 to 2003-04. Similarly, records relating to EDF for NER including Sikkim revealed that UCs were not received from 10 private bodies and one State Department against funds of Rs. 10.72 crore relased to them during April 2002 to March 2005.

47. Further, Audit examination in the Department of Commerce and the selected States has also revealed various instances of incorrect financial reporting or submission of improper/incomplete utilization certificates involving Rs. 176.18 crore in-Chandigarh (Rs. One crore); Haryana (Rs. 2.37 crore); Himachal Pradesh (Rs. 6.27 crores); Orissa (Rs. 15.98 crore); West Begnal (Rs. 11.29 crore); Arunachal Pradesh, Assam, Mizoram, Nagaland, Tripura and Sikkim (Rs. 10.72 crore); Andhra Pradesh, Haryana, Kerala, Madhya Pradesh, Punjab, Tripura, and West Bengal (Rs. 118.51); and Arunachal Pradesh, Assam, Manipur, Nagaland and Tripura (Rs. 10.04 crore).

48. In their reply to the aforesaid Audit observations, the Department of Commerce stated that the cases referred by audit were being cross-checked from the files and wherever necessary, the concerned agencies from the States/UTs/Central sector would be reminded to send the requisite utilization certificates in the proper format immediately. The Ministry have further stated that the agencies of the State Governments had been appropriately informed and the monitoring mechanism of ASIDE scheme had been strengthened both by way of physical verification by designated officials and through web monitoring system.

49. To a query as to what measures have been taken to ensure submission in time the correct Utilization Certificates in future by respective States/Implementing agencies, the Ministry in a note submitted as under:—

> "In order to ensure that States/UTs submit timely utilization certificates, the Ministry has installed auto mailer in the website which sends details of pending utilization certificate to Secretaries of the States through e-mail. Besides, State/UTs are periodically reminded through phone, letters from senior officer level and review meetings convened in the Ministry. State/UTs are categorically informed that no funds under ASIDE scheme would be released to them unless due UCs are furnished on proper format."

50. According to Audit, as of March 2010, UCs in respect of 45 cases out of 76 cases were pending. Further, a good number of UCs submitted were funds to be either incomplete or incorrect. On being asked about the steps taken by the Ministry to ensure proper and timely submission of UCs by the implementing Agencies/States, the Ministry in their reply stated that in order to ensure that States/UTs submit timely utilization certificates; they had installed auto mailer in the website which sends details of pending utilization certificate to Secretaries of the States through e-mail. Besides, States/UTs were periodically reminded through phone, letters from senior officer level and review meetings convened in the Ministry. State/UTs are categorically informed that no funds under ASIDE scheme would be released to them unless due UCs are furnished in proper format. The Ministry further informed that the following States/UTs have not furnished UCs due for funds released to them under ASIDE Scheme for the years mentioned in bracket against their names:—

> "Arunachal Pradesh (2006-07, 2007-08), Assam (2007-08), Bihar (2002-03 UC not in format), Chhattisgarh (2007-08), Dadar & Nagar Haveli (2002-03), Daman & Diu (2002-03), Delhi (2007-08), Gujarat (2007-08), Jharkhand (2007-08), Lakshadweep (2002-03 & 2003-04), Manipur (2007-08), Meghalaya (2007-08), Uttar Pradesh (2007-08) should expedite and furnish the UCs immediately."

IX. NON-LEVERAGING OF ASIDE FUNDS

51. One of the main objectives of the ASIDE scheme was to encourage the State Governments and Private Sector to participate in developing export infrastructure. It was made mandatory for the States to spend at least 50 percent of their allocation on implementing projects with private participation to leverage ASIDE funds from 2003-04. Audit scrutiny of records in the Department of Commerce, however, revealed that in Andhra Pradesh, Andaman and Nicobar, Goa, Himachal Pradesh, Manipur, Lakshadweep, Meghalaya and Pondicherry, there was no contribution from both the private sector and the State Governments in the infrastructure projects from 2002-03 to 2005-06. Private participation was insignificant in Chhattisgarh, Kerala, Maharashtra and Uttar Pradesh. While there was State Government contribution to some extent in Assam, Chandigarh, Jammu and Kashmir, Mizoram, Madhya Pradesh, Nagaland, Tripura and West Bengal, there was no private sector participation. Although the total project cost approved in Jharkhand, Orissa and Uttarakhand included private participation to the extent of Rs. 97.43 crore, Rs. 135.54 crore and Rs. 51.45 crore respectively, there was nil expenditure against private funds in these States upto March 2006. Likewise, the

project cost in Orissa, Tripura, Uttarakhand and West Bengal included State Contribution, yet there was no expenditure from State funds. Thus, the scheme objective of ensuring State and Private Sector participation has remained elusive.

52. In their response to the aforesaid Audit observations, the Department of Commerce stated that with regard to the States that were lacking on this count, it was proposed that a suitable penalty be imposed on them so that the mandatory guideline of ASIDE to leverage ASIDE funds was complied with. On being asked whether the Ministry have started imposing suitable penalty on the States failing to leverage ASIDE funds, the Ministry stated that:—

> "The ASIDE guidelines provides for incentivizing the States which take up Private Sector Participation projects. However, it does not provide for penalizing those States who are not leveraging the funds from Pvt. Sector participation. In order to ensure more leveraging of funds through other sources, the Ministry has requested to Jt. DGFTs/DCs/Nodal Officers of DoC to get the eligible Pvt. Sector participation projects approved on priority while attending the SLEPC meeting."

53. The Committee asked whether the Ministry had analysed the reasons for the poor response from the Private sector and the State/UTs with regard to participation/ allocation of funds for the Projects under ASIDE scheme. In reply, the Ministry stated that:—

> "IL&FS in their extended study report of ASIDE submitted during December, 2006 has found that Private sector has contributed to an extent of 23.39 percent in funding sanctioned projects. The States of Delhi, Orissa, Gujarat, Rajasthan and Haryana have been partly successful in terms of Private Sector Participation. Jharkhand, Uttaranchal, Tamil Nadu are leading States for attracting private sector participation for the implementation of ASIDE scheme. Jharkhand has almost 66 percent (Rs. 97.42 crores) funding from the private sector. This is inclusive of SEZ project where entire project (Rs. 39.47 crores) is being funded through private sector only. ASIDE fund has been used only for SEZ project development purpose and hence the State is topping the list. While in case of Tamil Nadu, private sector contribution has topped in the list with a maximum contribution of Rs. 731.49 crores (63 percent project cost) for the scheme. In order to ensure more leveraging of funds through other sources, the Ministry has requested to JDGFTs/DCs/Nodal Officers of DoC to get eligible Private Sector Participation Projects approved on priority while attending the SLEPC meetings."

X. LACK OF PROPER PROJECT PLANNING

54. In August 2001, the Department of Commerce had entrusted a study on the evaluation of the Critical Infrastructure Balancing (CIB) projects to the National Council of Applied Economics Research (NCAER) to be completed in six months, so that the feedback gathered through such evaluation could be a critical input in the formulation of ASIDE scheme. However, while NCAER's draft and final reports were submitted only in October 2002 and March 2004 respectively, ASIDE scheme was launched in March 2002 itself, obviously without benefiting from the inputs of the evaluation of CIB projects.

55. Further, the scheme guidelines provided that the Export Commissioner of the State, as the convener of SLEPC, should draw up five year/annual export plans in consultation with the trade and industry, the Export Promotion Councils and the Department of Commerce. Audit scrutiny of records, however, revealed that in seven (Chhattisgarh, Himachal Pradesh, Maharashtra, Manipur, Orissa, Uttar Pradesh and West Bengal) out of eight selected States, no such five year/annual export plans were prepared indicating *ad-hoc* planning by the State Governments.

56. In their response to the aforesaid Audit observation, the Department of Commerce stated (June, 2007) that the States/UTs had been advised on several occasions about the need for having a shelf of good infrastructure projects. In a meeting held in April 2007, they were again advised to prepare a shelf of good infrastructure projects for taking up under ASIDE scheme and share best practices amongst them. It was emphasized that export oriented clusters may be identified, infrastructure gaps in these clusters may be assessed and projects to fill these gaps may be implemented, preferably in Public-Private Participation mode, so as to increase exports from these clusters.

57. Enquired whether the Ministry had ensured that all the States had finalized the long-term export plans, the Ministry stated in a note as under:—

> "States do not perceive direct gain from the growth of exports. States have been advised to take action in this regard. However, the position is still not very encouraging. To overcome the problem, Ministry has requested DC, SEZs to help the nodal agencies of the State Governments in preparation of export plan."

XI. NON-APPROVAL OF PROJECTS BY STATE LEVEL EXPORT PROMOTION COMMITTEE/ADMINISTRATIVE AUTHORITY

58. Audit has pointed out that in West Bengal, eight projects involving ASIDE cost of Rs. 20.46 crore (total cost Rs. 27.10 crore) were taken up without the approval of SLEPC, which was irregular. In Manipur, no administrative approval of the nodal department of the State was taken for any of the 46 projects undertaken by the IA during the years 2002-06. Expenditure sanction had also not been accorded in any case. The audit findings were confirmed by the nodal department in the exit conference held with audit. In their reply (June 2007), the DoC stated that the State Governments were being asked to clarify as to why proposals without proper approval from SLEPC/ administrative authorities were taken up from ASIDE funds.

59. The Committee asked whether the Ministry had ascertained the reasons or sought comments from the States for taking up the 54 projects without obtaining proper approval of the competent authority. In response, the Ministry in a note stated that in respect of West Bengal, the 8 projects were at first approved by the Chairman, SLEPC after being considered by three other important members of the Committee. The projects were later ratified by a full house of the SLEPC on 02.08.2007. With regard to Manipur, all the projects implemented were from amongst the projects approved by the SLEPC. The approvals of the SLEPC were considered as administrative approval of the Administrative Department of Commerce & Industries of the State Government as the

Committee was headed by the Chief Secretary, Government of Manipur. Further MANIDCO, the Implementing Agency, was a company wholly owned by the State Govt. The company had its own rules for according administrative approval, technical and expenditure sanctions. The implementing agency applied these rules to such approvals or sanctions.

XII. INCOMPLETE AND SUSPENDED ASIDE AND CIB PROJECTS

60. The ASIDE Scheme guidelines envisage that before sanctioning new projects, the SLEPC should allocate funds for the likely expenditure of ongoing projects and should ensure that, except in exceptional cases, no new project had a gestation period of more than two years. Audit had, however, noticed that 97 State Sector Projects in 24 States involving ASIDE contribution of Rs. 544.80 crore (expenditure incurred being Rs. 156.56 crore) and 50 Central Sector Projects involving ASIDE contribution of Rs. 164.01 crore (expenditure incurred being Rs. 81.51 crore) remained incomplete after the maximum gestation period of two years, or after lapse of the scheduled period of their completion.

61. Audit test check of records in the Department of Commerce had revealed that 46 CIB Projects, which were approved during 1997-98 to 2001-02, were still incomplete after merger of the scheme with ASIDE and after incurring an expenditure of Rs. 52.76 crore. The reasons for the delay were not available in the Department of Commerce.

62. In their response to the aforesaid Audit observation, the Ministry stated in a note as under:—

> "The agencies will be instructed to get the completion of projects expedited and ensure that in future every project is completed as per the implementation schedule."

63. When asked whether the Ministry had identified and investigated independently the incomplete and suspended ASIDE and CIB Projects, the Ministry in a note submitted as under:—

> "Total of 981 projects have been approved by the respective SLEPC under State Component of ASIDE scheme since inception of the scheme. Out of these 428 has been completed, 44 cancelled and 393 are under implementation. It has been noticed that out of these 393 projects, 259 projects are those projects, which have been approved during 2006-07 onwards, and therefore the normal gestation period of two years for completion of the projects would become due only at the end of financial year 2008-09. Rest 134 projects have not been completed beyond the normal gestation period. The total number of cancelled projects under ASIDE scheme has been identified through Web Enabled Monitoring System. After examination, it has been noticed that out of 44 cancelled projects only 12 projects are found to be cancelled after incurring some expenditure. The Ministry proposes to take up the issue with the concerned State Government/UT Administration at appropriate level seeking explanation thereto."

64. As regards the status of CIB Projects and Central Projects the Ministry have stated that information in respect of 46 projects under CIB scheme had been called for from the concerned State Government.

65. The details of the State/UT-wise Projects under implementation, their total cost and contribution proposed to be met from ASIDE scheme as furnished by the Ministry are given below:—

(Rs. in lakh)

Sl. No.	Name of State/UT	No. of Sanctioned Projects	Projects Under Implementation			Cancelled	Completed
			No. of Projects	Total Cost	ASIDE Cost		
1	2	3	4	5	6	7	8
1.	Andaman & Nicobar	1	1	467.00	467.00	0	0
2.	Andhra Pradesh	69	6	2,250.00	2,250.00	0	63
3.	Arunachal Pradesh	21	10	219.65	219.65	0	9
4.	Assam	24	15	120.00	120.00	1	8
5.	Bihar	1	1	1,492.00	1000.00	0	0
6.	Chhattisgarh	10	9	6,441.26	6,221.26	0	1
7.	Chandigarh	1	1	1,544.00	772.00	0	0
8.	Daman & Diu	2	1	0	0	0	0
9.	Delhi	3	1	406.00	406.00	0	0
10.	Dadar & Nagar Haveli	1	1	470.00	235.00	0	0
11.	Gujarat	23	9	32,939.00	13,356.25	1	8
12.	Goa	21	14	5,259.15	5,116.90	0	3
13.	Himchal Pradesh	107	13	1,169.56	1,155.95	5	81
14.	Haryana	29	10	11,809.03	4,291.40	0	19
15.	Jharkhand	5	4	34,823.61	1,006.29	0	1
16.	Jammu & Kashmir	7	6	4,966.94	4,240.86	1	0
17.	Karnataka	67	27	29,289.52	13,940.82	0	40
18.	Kerala	26	8	7,619.97	5,618.52	2	7
19.	Lakshadweep	9	6	226.79	226.79	0	0
20.	Meghalaya	23	11	5,088.42	5,088.42	0	8
21.	Maharashtra	137	50	121,332.20	64,003.47	9	46
22.	Manipur	43	25	832.32	832.32	0	18
23.	Madhya Pradesh	43	20	6,133.54	5,232.69	0	10
24.	Mizoram	8	6	1,745.00	1,615.28	0	2
25.	Nagaland	9	3	77.20	73.00	0	6
26.	Orissa	28	8	44,180.75	2,059.00	7	6
27.	Punjab	18	3	4,112.00	928.00	1	13
28.	Puducherry	6	1	75.00	75.00	1	1

1	2	3	4	5	6	7	8
29.	Rajasthan	21	7	11,179.98	6,034.00	3	10
30.	Sikkim	1	1	530.00	530.00	0	0
31.	Tamil Nadu	105	63	893,537.90	30,798.93	8	16
32.	Tripura	15	10	3,734.94	3,639.94	0	5
33.	Uttaranchal	9	7	13,022.60	3,473.00	0	1
34.	Uttar Pradesh	51	24	6,703.95	5,261.93	5	21
35.	West Bengal	37	11	13,337.55	5,886.60	0	25
	Total	981	393	1267136.83	196176.27	44	428

66. The Committee enquired about the steps taken or proposed to be taken to get incomplete projects completed on a priority basis, the Ministry in their note submitted as under:—

> "The Ministry propose to take up with State Governments to get these projects completed on priority. In respect of 95 projects enlisted by Audit, Ministry has written to nodal agencies to ensure completion of these incomplete ASIDE/ CIB Projects by the end of this current financial year otherwise amount incurred on such incomplete projects may have to be deducted from first installment of 2009-10."

67. On being asked to state the latest position in respect of the 191 incomplete and suspended ASIDE and CIB Projects as pointed out by Audit, the Ministry stated that a total number of 114 had been completed, 70 were under implementation and 7 had been cancelled. The Ministry furhter informed that during the meeting dated 04.08.2009 with State Governments/UTs, it was decided that the States should give priority to fund and complete ongoing projects within time bound manner so that projects sanctioned upto 2006-07 were completed by end of this financial year (*i.e.* 2009-10) and those sanctioned during 2007-08 were completed by 2010-11. Any constraint on part of Department of Commerce should be brought to Department's notice. Giving overall scenario, the Ministry also informed that out of total 848 State Sector Projects approved upto 2006-07, 543 projects were completed, 117 projects were under implementation, 99 cancelled and 29 projects had not been started. As regards Central Component Projects, out of 349 projects approved till 2009-10 (as on 26.02.2010), 195 projects had been completed and 13 projects cancelled, 141 projects were at various stages of the implementation.

XIII. DELAY IN COMPLETION OF PROJECTS AND TIME AND COST OVERRUN

68. Audit examination further revealed that there were delays in completion of 18 Central and 51 State Sector Projects ranging between 6 to 78 months. The reasons for the delay in completion of some projects, which could be ascertained from records, included non-availability of site, delayed release of funds by the State Governments, additional work, heavy rains etc. Audit scrutiny had also revealed escalation of cost of

Rs. 0.21 crore in Orissa where the Nodal Agency released the funds to one project after 3 years of approval, which resulted in delay in completion and escalation of cost of the project and Rs. 2.41 crore in Uttar Pradesh in which the Nodal Authority did not obtain approval of Railway Authorities before taking up a project relating to construction of Railway Over Bridge resulting in delay in completion of the project and escalation of cost.

69. When asked about the total number of Projects completed beyond their normal date of completion, the Ministry stated that 134 projects have exceeded their normal gestation period of 2 years. It was further stated that the projects-wise cost overrun incurred was not available with them and the number and details of projects completed beyond due dates was being called from the State Governments/UTs.

70. The Committee asked whether the Ministry had sought and analyzed the comments of the States for the delay in the completion of Projects and the specific measures that were taken to ensure completion of all pending projects. In response, the Ministry submitted in a note as under:—

> "The Ministry had called for comments on Performance Report of C&AG and from the response from the State Government it has been noticed that sizeable number of the projects have been delayed due to problem in land acquisition, clearance from various States/Central Government Departments/Agencies. The Ministry has therefore, requested the States to take up those projects which are complete in all respects so that delay in completion of the projects may be avoided."

71. The Ministry in their subsequent note stated that the States/UTs were informed that the projects should be completed in normal gestation period of 2 years unless extraordinary situation hampers the progress. The cost overrun on account of unjustified delay should not be borne on ASIDE scheme.

XIV. INADEQUATE MONITORING

(a) Inadequate Monitoring at Central Level

72. An Empowered Committee was to periodically review the progress of the scheme at the Central level to ensure achievement of its objectives. It was, however, observed by Audit that in respect of Central Sector Projects, the committee held only one review meeting with the central agencies in 2005-06 since the inception of the Scheme. As regards the State Sector Projects, although one meeting each on different dates was held with different State agencies between 2002-03 and 2004-05, no minutes were recorded in respect of six out of 12 meetings held during 2003-04 and 2004-05. During 2005-06, only one meeting was held with the Southern States, for which too minutes were not recorded. Similarly, only one review meeting was held on EDF for NER scheme since its inception, for which also no minutes were recorded.

73. Further, as per the guidelines, the meetings in which the projects were scrutinized/approved by SLEPCs were to be attended by representatives of the Department of Commerce. Audit noted that the Department was not represented in any of the meetings held in Chhattisgarh, Haryana, Himachal Pradesh, Maharashtra and

Orissa during 2002-03 to 2005-06. In Uttar Pradesh, the Department's representative attended only one out of six meetings. According to Audit, in the absence of regular attendance by the representatives of Department of Commerce, it was not clear as to how the department ensured fairness and objectivity in appraisal of the proposals sanctioned in those States.

74. In their response to the aforesaid Audit observations, the Department stated in June, 2007 that in addition to the representative of the Department of Commerce, the Joint DGFT and DC, SEZ in the States had been nominated member of the SLEPCs to ensure proper approval and for monitoring the implementation/evaluation of projects.

(b) Inadequate Monitoring at State Level

75. The State Level Export Promotion Committee was to meet quarterly and oversee the implementation of the Scheme. Audit scrutiny of records in the selected States, however, revealed that their meetings were not held on regular intervals. Against the requirement of 16 meetings, the number of meetings held during 2002-03 to 2005-06 in the test selected States of Chhattisgarh, Haryana, Maharashtra, Manipur, Himachal Pradesh, Uttar Pradesh, Orissa and West Bengal were 1, 5, 6, 4, 10, 6, 5 and 3 respectively. Further, the Nodal Officer/agency of a State was also to review/inspect the progress of the projects to see that funds were spent for the scheme and also to ensure achievement of the objectives of the scheme. It was, however, noticed that in Manipur, Himachal Pradesh, Uttar Pradesh and Orissa neither year-wise physical and financial progress reports were available separately for each year for each project nor financial progress reports were obtained by Nodal Agencies (NAs) from Implementing Agencies (IAs). In West Bengal, the IAs did not submit monthly/quarterly progress reports indicating actual expenditures incurred by them to the Nodal Department. The Nodal Ministry submitted quarterly reports and utilization certificates to the Department of Commerce without verifying the progress of works and actual expenditure incurred by the IAs.

(c) Inadequate Monitoring at Project Level

76. The Department of Commerce in 2003, nominated 16 officers at the project level from different SEZs/Regional Offices of Director General of Foreign Trade who were to physically inspect the State Sector Projects. In addition, the Department of Commerce had also nominated their senior officers as Nodal Officers for groups of States/UTs to maintain interaction with the concerned agencies in the States for monitoring the progress of projects. Audit had, however, noticed that inspections of the projects were not being done properly. Out of 520 ASIDE/CIB Projects under implementation/completed in 32 States/UTs during the years 2003-04 to 2005-06, the nominated officers visited only 202 projects in 18 States during 2003-04 to 2005-06. Even in respect of these visits, inspection reports in respect of 131 projects submitted by them were incomplete and not in the prescribed format. It was also found that there was no record in the Department of Commerce of the inspection reports being forwarded to the concerned State Governments/Nodal Agencies for taking further corrective action.

77. In respect of monitoring of the Central Sector Projects, the concerned Central Agencies were required to constitute a committee to implement and monitor the projects in which a representative of the Department of Commerce was also to be included.

However, no records relating to monitoring of the Central Projects were produced to Audit, in the absence of which it could not be ascertained how many projects were physically inspected by officers of the Department of Commerce.

(d) Inadequate Monitoring of EDF Projects

78. As regards monitoring the progress in implementation of the projects under Export Development Fund for North Eastern Region, the concerned beneficiaries were to send quarterly performance figures to the Department through APEDA. Audit test check of records had, however, revealed that out of the total 179 quarterly reports due to be received from 22 beneficiaries during the years 2001-02 to 2005-06, the department received only 21 reports from 13 beneficiaries. Moreover, most of the progress reports submitted by the beneficiaries did not give the physical and financial status of the projects in quantitative terms.

79. Asked whether the Ministry had analysed the reasons for deficient and inadequate monitoring at the State, Central and Project levels, the Ministry stated in a note as under:—

> "The monitoring mechanism under ASIDE scheme at various levels had been performing satisfactorily, however, it is felt that there is lack of specificity in the role and responsibilities of Nodal Officers/DCs SEZ/Jt. DGFTs."

80. On the same issue, the Secretary, Department of Commerce during evidence deposed as under:—

> "We have taken note of it that representation at the meetings has not been upto the mark. Many meetings are called at short notice and it is a small Department and people have not attended this meeting. As a result, some of the schemes which the Audit has pointed out are not strictly relevant to the export infrastructure."

81. Taking into account the various lapses/deficiencies in monitoring of the ASIDE scheme, the Committee desired to know about the mechanism that was in place and the authorities that were responsible for monitoring ASIDE scheme at various levels. In response, the Ministry submitted in a note that monitoring of the implementation of ASIDE scheme was done through designated officers of Department of Commerce. They had been vested with the responsibility of on the spot verification of the projects and to send the report. The lists of officers include 29 officers of Department of Commerce, 7 Development Commissioners of the SEZs and 15 Jt. DGFTs of Regional Offices of DGFT. Thus a total number of 51 officers were available for this purpose. During 2007-08 a total number of 131 projects were approved by the various SLEPCs from State Component of the scheme and it was felt that the number of officers designated for the monitoring was adequate. The inspection reports of the designated officer were received in a format as prescribed in the ASIDE guidelines. They proposed to get all incomplete projects/projects sanctioned from 2007-08 onwards physically inspected by above authorities.

82. The Ministry of Commerce and Industry (Department of Commerce) have further stated that out of 212 Projects under implementation, which were approved

beyond financial year 2007-08, verification reports in respect of 56 projects had been received so far. From the verification reports, it had been observed that a number of works had not started at the time of physical verification. The time line for the completion of projects within 2 years had been reiterated during the meeting held on 04-08-2009 and State Governments/UT administrations had been requested to complete projects approved in 2007-08 by 2010-11 and also got the projects physically verified by designated officers.

83. When asked about the remedial steps taken to ensure that all the projects are inspected physically on a regular basis and necessary timely actions taken thereon, the Ministry in a note submitted as under:—

> "The Ministry has since specified the role of various Central Agencies *viz.* Nodal Officers of the Department of Commerce, DC, SEZs and Jt. DGFTs making it more meaningful."

84. The Committee desired to know the number of meetings held by the ECs and the SLEPCs in each of the States/UTs since the launching of ASIDE scheme. In response, in a note submitted to the Committee the Ministry have stated that the EC meeting was held only once in each of the years 2001-02, 2004-05, 2005-06 and 2007-08 and twice in each of the years 2002-03, 2003-04 and 2006-07. The position with regard to State/UT-wise SLEPC meetings are stated to be as under:—

Sl.		Number of SLEPC Meetings held in					
No.	Name of the State/UT	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Andaman & Nicobar	1	2	3	2	1	0
2.	Andhra Pradesh	2	2	1	0	1	0
3.	Arunachal Pradesh	0	0	0	0	0	0
4.	Assam	2	1	1	1	1	0
5.	Bihar	0	0	0	0	0	0
6.	Chandigarh	0	0	1	1	1	1
7.	Chhattisgarh	1	0	0	0	0	0
8.	Dadar & Nagar Haveli	0	0	0	0	0	1
9.	Daman & Diu	0	1	1	0	0	0
10.	Delhi	0	0	0	0	1	1
11.	Goa	2	3	3	2	1	0
12.	Gujarat	1	3	2	1	1	0
13.	Haryana	0	3	2	0	0	0
14.	Himachal Pradesh	1	4	4	2	3	2
15.	Jammu & Kashmir	0	2	3	1	2	0
16.	Jharkhand	2	2	1	1	2	0
17.	Karnataka	2	2	2	1	2	1

Sl. No.	Name of the State/UT	Number of SLEPC Meetings held in 2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
18.	Kerala	2	1	3	2	1	1
19.	Lakshadweep	1	1	1	0	0	0
20.	Madhya Pradesh	1	1	1	0	2	1
21.	Maharashtra	1	3	1	0	1	3
22.	Manipur	0	0	1	1	1	0
23.	Meghalaya	1	2	2	1	2	1
24.	Mizoram	0	1	3	0	2	1
25.	Nagaland	0	1	0	1	2	1
26.	Orissa	0	3	1	1	1	1
27.	Pondicherry	1	1	1	0	0	0
28.	Punjab	1	3	2	1	1	1
29.	Rajasthan	2	2	4	2	0	1
30.	Sikkim	0	0	0	0	0	0
31.	Tamil Nadu	1	1	1	1	2	2
32.	Tripura	2	2	1	2	1	1
33.	Uttar Pradesh	2	2	1	1	2	0
34.	Uttaranchal	2	1	1	0	1	0
35.	West Bengal	1	1	1	0	0	1
	Total	32	51	49	25	35	21

85. It may be seen from the above table that the number of SLEPC meetings held in all the States/UTs continued to be far below the stipulated requirement of four meetings in each year. On being asked about the reasons for not holding meetings at regular intervals by the Empowered Committees and the SLEPCs, the Ministry in a note stated as under:—

> "The SLEPC is headed by Chief Secretary of the concerned State/UT. Being administrative head of the State, the Chief Secretary looks after the work of all Departments of the State/UT and therefore amid his tight schedule and the need to address many pressing issues, it is difficult for nodal agencies to seek his convenience for regular SLEPC meetings at regular interval."

86. When asked about the steps taken by the Ministry to ensure that SLEPC meetings are held regularly and attended by the representatives of the Ministry, the Ministry submitted in a note as under:—

> "Jt. DGFT/DCSEZ have been requested to impress upon the nodal agency for convening quarterly SLEPC meetings as envisaged in the ASIDE guidelines. DC (SEZs/EPZs)/JDGFD may impress upon nodal agencies to finalize agenda items 15 days in advance and obtain a copy of it. The agenda

items so obtained may be discussed with concerned EPCs and other export bodies so as to assess the outcome of the project. The feedback obtained from EPCs and export bodies may be placed before the SLEPC during the meeting which may form as input for prioritization/approval or otherwise of the project."

87. To a related query, the Secretary, Department of Commerce during evidence submitted as under:—

> "In so far as the monitoring of the projects is concerned, we have now reiterated our instructions to all our officers who have been allocated to various States to ensure that they attend the meetings. We have seen that in 67 meetings and 87 meetings in 2006 and 2007, officials have attended and we are getting the feedback from them."

88. Enquired about the nature of follow-up action taken by the Ministry on the shortcomings/irregularities noticed in physical and financial progress reports received from the States, the Ministry in a note stated that in case shortcomings/irregularities in physical and financial progress came to their notice, the same were got verified/inspected by concerned DE SEZ/Jt. DGFT. Necessary remedial measures were taken on the basis of their report.

89. The Committee desired to know as to how the Ministry ensured co-ordination among the various authorities that were involved in overseeing the implementation of ASIDE projects and the specific plans or arrangements that have been made for overhauling its monitoring mechanism at various levels. In response, the Ministry in a note stated that they had strengthened their involvement at various levels and planned to get the implementation of State Component of the scheme monitored through their nodal officers and DC of SEZs. The Development Commissioners of SEZs had also been requested to call quarterly meeting with nodal agencies of the State under their jurisdiction and make analysis of the funds balance with nodal agency, funds released to implementing agencies by nodal agency and funds lying unspent with each implementing agency and furnish a report to their Department. While releasing funds to State Government, they may take into account the report of DCs sent after holding such meetings.

90. The Ministry have further stated that Development Commissioners of SEZ/ Jt. DGFTs had been requested to—(i) regularly monitor the efforts of nodal agencies in selection of location and preparation of shelf of projects to be implemented in next 2-3 years; (ii) send a report to DoC after attending the SLEPC covering the aspects like details of project, physical and financial phasing of the projects and expected outcome from export angle. Any wrong project (having no export content) approved by SLEPC should be brought to their notice; and (iii) to impress upon the nodal agency to keep an account of interest accrued on the ASIDE fund and place it before SLEPC and should also ensure that the same is utilized for purpose of funding the ASIDE projects. They have also proposed to hold periodical meetings with these central authorities to take stock of progress they have achieved in improving the implementation of the scheme by ensuring compliance by States to their above mentioned instructions.

XV. PROMOTION OF EXPORTS IN THE NORTH-EASTERN REGION

(a) Outlay for North-Eastern States under ASIDE Scheme

91. Under the ASIDE Scheme, 10 per cent of the total outlay is earmarked for developing export infrastructure in the North-Eastern States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Details of the funds released for implementing projects in North-Eastern Region including Sikkim since inception of the ASIDE scheme are as under:—

(*Rs. in lakh*)

Year	Total Outlay under ASIDE	Release to NE under Central Component	Release to NE under State Component	Total release for NE
2002-03	32,546	800.00	1,450.00	2,250.00
2003-04	35,000	950.00	1,300.00	2,250.00
2004-05	42,488	2,470.18	3,149.00	5,619.18
2005-06	50,099	1,734.00	4,000.00	5,734.00
2006-07	45,000	1,691.95	3,570.50	5,262.45
2007-08	56,900	2,217.99	3,782.00	5,999.99
Grand total	2,62,033	9,864.12	17,251.5	27,115.62

(b) Export Potential of North-Eastern States

92. The Committee drew the attention of the Ministry to the export potential of the North-Eastern States in respect of orchids, horticultural produce and other agro-forestry items, which are abundantly available in the region and asked whether any feasibility study had been conducted or proposed to be undertaken under the ASIDE scheme for accelerating growth of exports from the North-Eastern States etc. In response, the Ministry stated in a note that APEDA, an autonomous organization under Department of Commerce, had conducted a quick assessment study on export potential of horticulture products from the North-Eastern Region during October-November 2005. The study was aimed at assessing the exportable surplus quantities of horticulture products in the North-Eastern States and to suggest an action plan for providing the necessary support for export promotion of these products. The major findings of the study done by APEDA are as follows:—

> "...It was found that the region has huge surplus quantities available to market in the other States and for exports to the international markets. It was also observed that a lot of these products are also being marketed to the other States within the country and a few of them are also being exported to the neighbouring countries like Bangladesh and Myanmar.
>
> The major potential crops, which are in surplus quantities and have the potential of exports from the region are Citrus (Orange), Banana, Pineapple, Papaya, Jackfruit, Ginger, Turmeric, Chilli, and Potato etc. other crops like Apple, Passion fruit, Green vegetables, Cut flowers, Spices also can be

successfully developed and commercially exploited for targeting international markets. The floriculture in these States is also expected to increase and can be explored for international markets.

It was observed that the exports of horticulture produce from the North-Eastern States have been mainly of Orange/Citrus fruits, Ginger and Pineapple etc. The geophysical condition as well as lack of infrastructure facilities has restricted these exports to only neighbouring South-Asian countries."

93. The APEDA study also pointed out that:—

"The promotion of exports of horticulture produces from the NER requires a major support in building the necessary infrastructure and support systems. The existing infrastructure for the development of horticulture is highly inadequate in many ways. The low technological base and limited market infrastructure with virtually no storage facilities and inadequate means of transport have resulted in a very low or even no growth in this sector.

The status of air facilities in the region is also very poor. The L.G.B. international airport at Guwahati has recently commenced some international flights however they only link to the far eastern countries and are of not any help for the export promotion of horticulture produces. Very small cargo space is available in the domestic flights connecting to major cities like Delhi and Mumbai.

The basic infrastructure facilities like storage, warehousing and transportations are missing and thereby affect the storage and mobilization of goods.

The processing capacity is developed on the potential of supply of raw material of that area, however despite of huge surpluses available in the region; the development of processing industry has been negligible in these States."

94. As per the study made by APEDA, the major reasons for this scheme not being able to work for the export promotion from the North-Eastern Region are as under:—

- Since there is no direct international connection from Guwahati International Airport to the export destinations of the horticulture products from the North-East, no major consignment could be exported through this route and thereby the assistance has been of no use to the exporters.
- There are very few direct connections from Kolkata airport to the potential export destinations of these products and the lack of facilities at Kolkata port to handle perishable commodities does not make it suitable for the exporters to route their shipments through Kolkata.
- Further the rail network in the North-Eastern States is also not very extensive and requires multiple transhipments for transporting goods through railways.

- The hilly terrain of the area creates huge problems in transporting the produces from the fields to the small markets and further transportations for exports. In the absence of any suitable assistance, the local traders are procuring the produce through their own channels and some of the produce is being exported to the neighbouring countries like Bangladesh and Myanmar. These exports are taking place by road through the land custom stations in these States and no transport assistance can be provided under the present scheme for such exports.

95. The Ministry have further stated that thrugh APEDA they are operating the Inland Transport Assistance Scheme (ITAS) to bring down the heavy expenditure on transportation involved in transport of goods with a view to boosting export of fresh and processed horticulture projects from the North-Estern Region. The scheme came into operation *w.e.f.* 15th July, 2002. Based on the persistent demand from the various North-Eastern States, the scheme for export of horticulture products in the North Eastern region had been liberalized. Inland transport assistance would now be available in respect of 14 identified products *i.e.* Banana, Guava, Lemon, Orange, Pears, Pineapples, Plums, Cut flowers, Ginger, Passion Fruit, Kiwi, Apple, Bamboo and Cane for food purposes to all the North Eastern States. The rates of inland transport assistance have been modified as follows:—

(i) 90 per cent of the air freight charged by the airline from any airport in the North Eastern States or Bagdogra to Guwahati or Kolkata for exports and in case of highly perishable commodities, 50 per cent of the air freight charged by the airline from any airport in the North Eastern States to Delhi or Mumbai Airport for exports.

(ii) Re. 1 per kg. or actual freight paid whichever is less, if the goods are transported from anywhere in the NES by road for exports through any notified Land Cutoms Station in the North Eastern States or through Guwahati airport.

(iii) Rs. 2 per kg. or actual freight paid whichever is less, if the goods are transported from North Eastern States to Kolkata or any other port by rail through ICD, Guwahati for exports.

(iv) Rs. 2 per kg. or actual freight paid whichever is less, if the goods are transported from North Eastern States by rail through ICD, Guwahati to any place in West Bengal for processing and export."

XVI. PRIORITY PROJECTS DURING THE 11TH FIVE YEAR PLAN

96. The Committee have been informed by the Department that instead of smaller projects, it would be preferable to take up bigger projects having distinct linkage with exports for a visible impact on the growth of exports. Towards this direction, the Department identified some of the key areas for focused attention during the 11th plan period. These are as follows:—

(i) 10 per cent of ASIDE funds allocated to States having Agri. Export Zones (AEZs) will be earmarked exclusively for development of AEZ projects.

(ii) Priority to provide funds for kick starting the infrastructure development work at Land Customs Stations would be given.

(iii) Emphasis on providing funds for projects covering common facilities like laboratories, CETP etc., involving Public-Private Participation (PPP) would be given.

(iv) Efforts would be made for opening up special window for taking up innovative projects especially, for rural business hubs in coordination with Ministry of Panchayati Raj.

(v) Emphasis would be laid on development of export infrastructure in the "Towns of Excellence" identified under the Foreign Trade Policy, in coordination with other Departments that have funds for infrastructure development and upgradation thereof.

(vi) Bigger projects having distinct linkage with exports would be encouraged.

97. In this connection, the Committee desired to know the type of projects that have already been taken up under each of the Central and the State Components. In response, the Ministry furnished the information as under:—

Sl. No.	Type of projects	No. of projects	
		Central Component	State Component
1.	EPIP/EPZ/SEZ and other Business Zones	205	62
2.	Complementary Infrastructure	19	278
3.	Information Technology	1	29
4.	CETP	4	29
5.	Development of Infrastructure for Export Promotion	12	7
6.	Ports/Harbours	7	12
7.	Power supply	-	46
8.	Others	42	520
	Total	290	983

PART II

RECOMMENDATIONS AND OBSERVATIONS

1. Considering the pivotal role played by exports in the economic growth in the wake of liberalization and structural reforms, the Department of Commerce in the Ministry of Commerce and Industry launched on 13th March, 2002, a scheme namely 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE) with an outlay of Rs. 97 crore for March 2002 and Rs. 1,725 crore for the 10th Five Year Plan (2002-07). The objective of the scheme was to actively involve the States in the export effort by providing assistance to the State Governments for creating appropriate infrastructure for the development and growth of exports in pursuance of EXIM Policy announced by Government of India in March, 2000. Outlay for 11th Five Year Plan (2007-12) was tentatively fixed at Rs. 3,664.63 crore out of which the allocation for the year 2007-08 was Rs. 569 crore. Three existing schemes for export promotion viz. Export Promotion Industrial Parks (EPIP), Export Promotion Zones (EPZ) and Critical Infrastructure Balancing (CIB) schemes were merged with the new scheme and the ongoing projects under the older schemes were to be funded by the States from the resources provided under ASIDE. The scheme also subsumed the Export Development Fund (EDF) for North Eastern Region (NER), including Sikkim, which was another existing scheme for export promotion involving the activities permitted under the existing EDI scheme guidelines which differ from the ASIDE scheme guidelines. The outlay under the ASIDE scheme has two components — the State Component, whereunder 80 per cent of the funds were to be earmarked for allocation to the States on the basis of the approved criteria and the other is Central Component, wherein the balance 20 per cent and amounts equivalent to unutilized portion of the funds allocated to the States in the past year(s), if any, was to be retained at the Central level for meeting the requirments of inter-State Projects, Capital outlays of EPZs/SEZs etc.

The Committee's examination of the implementation of the ASIDE Scheme revealed that the planning, approval, execution/implementation and monitoring of the projects under the Scheme were plagued by many loopholes and deficiencies and as a result, the impact of ASIDE scheme on the volume of exports and building export infrastructure is hardly visible. Moreover, there was lack of fiscal discipline in the financial transactions under the Scheme resulting in cases of diversion of funds excess release of funds, cost and time overruns etc. These issues along with related issues have been dealt with by the Committee in the succeeding paragraphs.

2. While the ASIDE scheme guidelines clearly envisaged creation of export infrastructure for specific purposes having direct and overwhelming linkage with exports, the Committee, however, note that in respect of 57 State Sector projects in 16 States and 22 Central Sector projects involving funding of Rs. 177.59 crore, approvals were given despite these being not covered under the scope of Scheme

Guidelines and also not of capital in nature. Further, all the 22 Central Sector Projects were of revenue nature such as preparation of DPR/feasibility reports, development of road, waiting hall, canteen, accommodation for police personnel, purchase of software and hardware, furniture and office equipment etc., which were not covered under the specified approved activities under the Scheme. Besides, 15 projects under EDF for North East including Sikkim involving Central Assistance of Rs. 1.12 crore were approved for undertaking activities like seminars, workshops, conferences, training programmes, expositions etc. which were not covered under the scope of the guidelines. The Secretary, Department of Commerce during evidence tried to underplay the shortcomings in the approval of projects by merely stating that the total amount sanctioned under ASIDE scheme was between Rs. 2,000 crore to Rs. 3,000 crore only, which constituted a very insignificant portion of the total export infrastructure capital of about Rs. 22,00,000 crore. The Committee do not accept this view of the Ministry as the main objective of ASIDE scheme was to undertake only such Projects which would contribute to development of the country's export infrastructure. The Committee, therefore, recommend that the Ministry should probe into all cases of such ineligible ASIDE projects, which were approved with a view to fix responsibility on the dellinquent Officials. The Committee also desire that the Ministry should take all necessary measures to streamline the procedure of approval of the projects under the Scheme so as to ensure that only those Projects are cleared which overwhelmingly contribute to the growth of exports and export infrastructure.

3. The Committee's examination of the subject has revealed that the definition of projects which can be taken up under ASIDE scheme appears to be too vague and general as the types of projects/works, which can be covered under the scheme, has not been precisely delineated. Similarly, no specific or clear cut criteria for approving the projects of 'national and regional importance' have been incorporated in the Scheme guidelines. As a result, there is lot of scope for misinterpretation of the scheme guidelines and any project remotely connected to exports can be accorded approval in the guise of developing and promoting exports and export infrastructure. As such, the State Level Export Promotion Committees and the Department of Commerce have been freely approving any project under a mistaken notion that anything directly or indirectly associated with exports can be deemed as export infrastructure. This lacuna appears to be the main cause of approving the ineligible projects under ASIDE scheme and also for the thin spread of resources amongst small and insignificant projects. The Committee do not accept the Department of Commerce's contention that the existing guidelines are adequate, comprehensive, explicit and realistic and hence no modification is required. The Committee need hardly emphasize that the aims and objectives of ASIDE scheme should not be diluted or compromised and the type and nature of projects that can be taken up under the scheme, subject to local variations, should be clearly spelt out and delineated so that only those schemes, which would directly contribute to the country's long-term export infrastructure for achieving accelerated growth of exports, are taken up under the scheme. Necessary measures for ensuring strict compliance by the States/SLEPC to these specific guidelines in letter and spirit should be taken and enforced invariably.

4. The Committee regret to observe that the percentage of utilization of funds released under ASIDE scheme was low and ranged between 43 to 86 percent and 28 to 90 percent in respect of the State and Central sectors respectively, during 2002-03 to 2005-06. In the cases of six States/UTs, *i.e.,* Andaman and Nicobar Islands, Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Daman and Diu and Lakshadweep out of Rs. 21.07 crore released, no expenditure was incurred during March, 2002 to March, 2006. Further, in five States/UTs, an expenditure of Rs. 34.77 crore was incurred which constituted only 44 percent of the total funds released *i.e.* Rs. 79.82 crore. In 14 States/UTs only Rs. 440.43 crore was spent, which was 61 percent of Rs. 717.97 crore that was released. Besides, 15 out of the 37 agencies in different States had not incurred any expenditure out of Rs. 35.25 crore that was released to them during 2001-02 to 2005-06 and the expenditure in respect of 11 agencies ranged between 30 and 60 percent of the releases. The Committee have been informed by the Department of Commerce that certain remedial measures have been taken by them to streamline the utilization of funds by States/UTs, which *inter-alia* include on-line monitoring of submission of Utilization Certificates and release of funds to the States only after securing the pending Utilization Certificates etc. The Committee feel that the belated remedial measures now being taken by the Department could have been taken earlier while introducing ASIDE Scheme as a pre-condition for releasing funds. Further, the Committee are not inclined to believe that the continuous low utilization of funds during 2001-2002 to 2005-2006 could be solely attributed to the problem in submission of Utilization Certificates. This is proved by the fact that in spite of taking the aforesaid remedial measures, the Committee find that against the total funds released amounting to Rs. 2,62,812.10 lakh under ASIDE scheme upto 2007-08, the total expenditure incurred there against was Rs. 2,16,320.25 lakh resulting in a gap of Rs. 46,491.85 lakh. The Committee, therefore, desire that the Department of Commerce should revamp areas of their financial operations in close coordination with respective States for facilitating timely, expeditious and judicious utilization of ASIDE funds so that the projects undertaken under the scheme are completed without any cost and time overruns.

5. The Committee note that duing the period 2002-03 to 2005-06, the State-wise allocation of ASIDE funds was made on the basis of *ad-hoc* assessment and not on the basis of the prescribed twin criteria of the State's export performance and share in growth rate of exports. This was due to alleged inadequacy and inaccuracy in the export data reported by the Director General of Commercial Intelligence and Statistics (DGCIS) such as blank or invalid entry regarding the State of origin in a large percentage of shipping bills. Further, according to the Department of Commerce, the DGCIS figures did not reflect a "complete and correct" picture of exports from the States as a large number of buying houses based in metropolitan cities sourced the products from several States in the hinterland, and exports thereof were recorded against the State from where those exports were shipped out, and not against the State of origin. Besides, the DGCIS data was also inadequate for the reason that many of the products were not manufactured at a single location in a particular State and their components were sourced from other States as well — a fact which was not possible to be reflected adequately in the State of origin column in the shipping documents.

Thus, the existing criteria of allocation of funds based on this unrealistic data provided lopsided opportunities to only five or six better performing States on export front to derive the maximum benefit out of ASIDE Scheme. What is surprising to the Committee is the fact that at the time of formulation of the Scheme in 2002, on an issue raised by the Planning Commission regarding non-availability of export data from the States, the Department of Commerce had then reportedly explained that there was no difficulty in capturing the data, as the shipping bill format had been amended with effect from April, 2001 to provide for indication of State of origin of the products.

The Committee deplore the Department's failure to rectify this lacuna even after assuring the Planning Commission as long back as in 2002 and as a consequence, allocation of ASIDE funds to the States continues to be made on *ad hoc* basis, instead of the specified criteria. This clearly indicates that the ASIDE scheme was launched without proper planning and accurate database by the Department of Commerce which is anything but regrettable. The Committee express their displeasure over the lackadaisical attitude displayed by the DGCIS in maintaining accurate and reliable data relating to exports. The Committee would like the Department of Commerce to take necessary corrective measures to streamline the functioning of DGCIS, so that in future the export data maintained by them is accurate, reliable and complete in all aspects. The Committee, desire that efforts should now be made to capture State-wise export data more realistically in consultation with DGFT and SEZ Division of the Department of Commerce so as to ensure that desrving States are not left out. Keeping in view the need for balanced development of the country's overall export infrastructure, the Committee urge upon the Department of Commerce to revise the fund allocation criteria under the scheme in such a way that benefits of the scheme are well dispersed and extended to cover all the States in just and equitable manner.

6. The Committee's examination on the subject has revealed several instances of inadmissible and excess release of funds under ASIDE Scheme. The Committee find that inadmissible amounts to the tune of Rs. 2.39 crore, Rs. 1.00 crore and Rs. 0.38 crore were sanctioned in Punjab, Andhra Pradesh and Manipur respectively during 2005-06. It has also been found that while releasing the subsequent instalments for the years 2002-03 to 2005-06, the Department of Commerce did not ensure full utilization of the previous instalment, which resulted in excess/injudicious release of Rs. 94.12 crore, Rs. 131.60 crore, Rs. 114.17 crore and Rs. 228.97 crore respectively, thereby flouting the ASIDE guideline, which stipulates that any unutilized funds out of allotted funds were to be counted against the next year's allocations and suitable deductions were to be made therefrom. Obviously these failures clearly indicate laxity in the financial control exercised by the Department. The Committee are of the firm view that strict adherence to the principles of financial management and financial discipline is imperative for proper implementation of various ASIDE projects. The Committee, therefore, recommend that all such cases which relate to release of inadmissible funds, excess release of funds and non-submision of Utilization Certificates should be detected and these amounts should be suitably and promptly deducted from the subsequent allocations to them strictly in accordance with the scheme guidelines. Monitoring System also needs to be revamped to ensure that such instances do not recur.

7. Another disquienting feature in the implementation of ASIDE Scheme relates to delay in and non-submission of Utilisation Certificates (UCs) by the States and the implementing agencies. The Committee note that Utilisation Certificates (UCs) by 14 State nodal agencies and 22 Central agencies in respect of CIB/ASIDE funds of Rs. 37.75 crore and Rs. 61.71 crore respectively released to them during the years 1997-98 as to 2003-04 were yet to be furnished. Similarly, UCs relating to EDF were not received from 10 private bodies and one State Department against funds of Rs. 10.72 crore released to them during April, 2002 to March, 2005. Besides, there had been various instances of incorrect financial reporting or submission of improper incomplete Utilization Certificates involving Rs. 176.18 crore as on January, 2007. The Department of Commerce have informed the Committee that they have installed an auto-mailer, which sends details of pending Utilization Certificate to Secretaries States through e-mail and all the States/UTs were periodically reminded through phone, letters from senior officer level and review meetings convened in the Department. The States/UTs are categorically informed that no further funds under ASIDE scheme would be released to them unless due Utilisation Certificates are furnished on proper format. The Committee find that these measures seem to be more of a routine nature and are proving to be ineffective in improving the situation as can be gauged from the fact as of March, 2010, out of 76 cases reported by Audit, UCs in respect of 45 cases were still awaited. The Committee recommend that stringent action including imposition of penalty should be taken against the erring State Governments and other implementing agencies for the delay/non-submission of UCs. Further, there is an imperative need for toning up the Department's internal audit and monitoring mechanisms in order to closely monitor the process of submission of UCs as well as their quality by the States and other agencies wherever necessary. The Committee also desire that the Department should not shy away from taking strict action against the chronic defaulters so as to ensure proper and timely submission of Utilisation Certificates. Department of Commerce should also find out the procedure being adopted by the Ministries of Agriculture and Health and Family Welfare in obtaining Utilization Certificate in regard to various projects being run in all the States/Union Territories.

8. With a view to encourage the State Governments and Private sector to participate in developing export infrastructure, the ASIDE Scheme has made it mandatory for the States to spered at least 50 percent of their allocation on implementing projects with private participation to leverage ASIDE funds from 2003-04. However, the Committee note that this arrangement has not yielded desirable results and the achievements made so far are limited to attracting sporadic and almost negligible participation of some of the States and the private sector in export promotion activities. The Committee note that in 8 States/UTs there was no contribution from both the private sector and the State Governments in the infrastructure projects from 2002-03 to 2005-06. Further, private participation was insignificant in Chhattisgarh, Kerala, Maharashtra and Uttar Pradesh. While there was contribution from the Government to some extent in 8 States/UTs, however, there as no private sector participation. Worse still, the Department itself has conceded that the States did not perceive any direct gain from participating in or investing in the projects

under the Scheme. The Committee construe this to be the failure on the part of Department of Commerce in motivating the States to participate in the Scheme. The Committee desire that concerted efforts should be made by Department of Commerce to encourage active participation of the States and private sector in these ASIDE Schemes so that the country's export infrastructure is augmented. As one such measure, the Committee recommend that Department of Commerce may consider introducing a system of rewarding the States, which have achieved higher leveraging of ASIDE funds. The Committee would like to have the details of action taken by them in this regard within 3 months of presentation of this Report.

9. Proper project planning is imperative for ensuring effective implementation and achieving the intended results of any Scheme. The Committee, however, note with concern that ASIDE scheme was launched without undertaking proper planning and assessment of actual ground realities. In August 2001, the Department had entrusted a study on the evaluation of the Critical Infrastructure Balancing (CIB) projects to the National Council of Applied Economics Research (NCAER) which was to be completed in six months, so that the feedback collected through the evaluation could be used as input in the formulation of ASIDE scheme, The Committee's examination has revealed that while NCAER's draft and final reports were submitted in October 2002 and March 2004 respectively, ASIDE scheme was launched in March 2002 itself, much before the presentation of these Reports, and as a result, the inputs of the evaluation study of CIB projects could not be made use of while formulating the ASIDE Scheme. This clearly indicates *adhocism* on the part of the Department in formulation of such an important Scheme, which is highly regrettable. The Committee further note that as per the Scheme guidelines, the Export Commissioner of the concerned State being the convener of SLEPC, should draw up five year/annual export plans in consultation with the captains of trade and industry, the Export Promotion Councils and the Department of Commerce. To their utter dismay, the Committee find that in seven out of eight selected States, no such five year/annual export plans were prepared.

The Department of Commerce have informed the Committee that the States/UTs had been advised on several occasions to prepare a shelf of good infrastructure projects for taking up under ASIDE scheme and share best practices amongst them. It was also emphasized that export oriented clusters may be identified, infrastructure gaps in these clusters may be assessed and projects to fill these gaps may be implemented, preferably in Public-Private Partnership more, so as to increase exports from these clusters. The Department have further stated that the Development Commissioners of SEZs have been requested to help the nodal agencies of the State Government in preparation of export plan. The Committee are quite skeptical about the proposal of the Department to enlist the help and support of the Development Commissioners of SEZs in the preparation of export plans by the State Governments for the simple reason that it is neither mandatory nor obligatory on the part of these officials to help prepare such export plans. The Committee, therefore, recommend that the Department of Commerce should make concerted efforts in persuading the States to prepare their export plans well in advance so that the projects under the scheme could be taken up expeditiously and executed in a time bound manner.

10. The Committee note with concern that 8 projects in West Bengal costing Rs. 20.46 crore and 46 projects in Manipur were taken up without the approval of SLEPC and administrative approval/expenditure sanction of the Nodal Department respectively during the years 2002-06. The Department of Commerce have informed the Committee that the 8 projects in West Bengal were given *ex-post facto* **approval by the SLEPC. The Committee cannot but deprecate such practice on the part of State Governments which are in total disregard to General Financial Rules. The Committee therefore, recommend that the Department of Commerce should take up the matter with the concerned States so that deterrent and penal action is taken against the persons responsible for approving such projects. The Department of Commerce should also urge upon all the States to take necessary corrective measures so that the practice of according** *ex-post facto* **approval and taking up projects without proper administrative approval and expenditure by them do not recur in future.**

11. As per the guidelines under ASIDE scheme, before sanctioning the new projects, the concerned SLEPC should allocate funds for the likely expenditure of the ongoing projects and should ensure, except in exceptional cases, that no new project had a gestation period of more than two years. Despite this condition, the Committee note that as many as 97 State Sector Projects in 24 States involving ASIDE contribution of Rs. 544.80 crore (expenditure incurred being Rs. 156.56 crore) and 50 Central Sector Projects involving ASIDE contribution of Rs. 164.01 crore (expenditure incurred being Rs. 81.51 crore) remained incomplete after the maximum gestation period of two years, or after lapse of the scheduled period of their completion. Another 46 CIB projects, which were approved during 1997-98 to 2001-02, had remained incomplete after merger of the scheme with ASIDE scheme and after incurring an expenditure of Rs. 52.76 crore. In this connection, the Department of Commerce have informed the Committee that out to 981 projects, which were approved by the respective SLEPCs under the State Component of ASIDE Scheme since its inception, 428 projects had been completed, 44 cancelled and 393 were under implementation. Among the ongoing 393 projects, 134 projects, which were approved before 2006-07, had passed the normal gestation period of two years for completion of the projects. The Department of Commerce have further informed that they propose to take up the matter with respective State Governments to get these projects completed on priority basis and in respect of 95 projects enlisted by Audit, the nodal agencies have been instructed to ensure completion of these incomplete ASIDE/CIB projects by the end of financial year 2008-09, failing which amount incurred on such incomplete projects may have to be deducted from first instalment of 2009-10. The Committee regret to note that the Department have not stated the reasons for the failure of the Central Agencies and the State Governments in completing the projects within the stipulated time period and also the efforts, if any, made by them to ensure timely completion of the projects. The Committee cannot but conclude that the Department of Commerce have failed to ensure that the Central Agencies and the States complete all the pending projects within a reasonable time frame. In their opinion, the delay in completion of projects defeats the very purpose of undertaking these projects besides incurring cost overruns. The Committee urge upon the Department to closely monitor the projects on a continuous basis so as to expedite completion of the pending projects by States in a time bound

manner. The Committee would also like to be apprised of the details of the concrete action taken in this regard and the status of progress in the implementation of the projects.

12. Another area of concern relating to implementation of the Scheme is cancellation and non-commissioning of large shelf of projects. The Committee are perturbed to note that out of total 848 State sector projects approved upto 2006-07, 99 had been cancelled and 29 projects had not been started. As regards Central Component projects, out of 349 projects approved till 2009-10 (as on 26.02.2010), 13 projects had been cancelled. The Committee are dismayed at the cancellation of large number of projects which had led to sheer wastage of huge sums of public money. This could have been avoided, had the Department of Commerce and the respective SLEPCs followed the norms of project management. As this reflects poor project planning and management on the part of States and Implementing Agencies, the Committee recommend that all the cases of cancellation of ASIDE projects should be gone into with a view to fixing responsibility on the delinquent officials. While cautioning the Department of Commerce not to resort to indiscriminate sanctioning and consequential abandoning of ASIDE projects, the Committee recommend that the Department should follow due diligence while preparing/approving the Detailed Project Reports of the projects to be undertaken under ASIDE Scheme. As far as possible only such projects which are economically feasible should be taken up for implementation supported by best management practices.

13. The Committee note with concern the inordinate delays in completion of 18 Central and 51 State sector projects ranging between 6 to 78 months due to non-availability of site, delayed release of funds by the State Governments, additional work and heavy rains etc. Further, there were delays in completion of projects and escalation of cost of Rs. 0.21 crore in Orissa and Rs. 2.41 crore in Uttar Pradesh. What is disturbing to the Committee is the fact that the total number of ASIDE projects which have exceeded their normal gestation period of 2 years *i.e.* **completed beyond their normal date of completion stood at 134 projects as of November 2008 and the Department do not have the details of projects-wise cost overrun incurred thereon. In this regard, the Department of Commerce have informed the Committee that the agencies have been requested to get the completion of projects expedited and ensure that in future every project is completed as per the implementation schedule, so that cost escalation is avoided. The Committee regret to note that these glaring lapses and deficiencies in the execution of projects are indicative of lack of proper project planning and implementation of ASIDE projects and also absence of mechanism for ensuring synchronized coordination amongst the concerned authorities and Agencies at the Central and State levels to execute the projects. The Committee recommend that responsibility should be fixed on the persons responsible for these serious lapses which had caused not only significant loss to the exchequer in terms of cost overrun but also in slippage of targets with regard to development of export infrastructure. The details of project-wise cost overrun in respect of 134 projects as on November 2008 may also be intimated to the Committee alongwith the reasons therefor. The Committee further recommend that Department of Commerce should beef up their systems and procedure with regard to project planning and management as also the mechanism**

for monitoring the projects so that there are no cost and time overruns in the implementation of the projects in future.

14. The Committee are constrained to note that the monitoring mechanism under ASIDE Scheme has become virtually defunct and left much to be desired. The number of meetings held by the monitoring bodies like the Empowered Committee (EC) at the Central level and the SLEPC at the State level fell much short of the stipulated requirement. At the project level, inspections of the projects were not carried out properly so much so that out of 520 CIB/ASIDE projects under implementation/completed in 32 States/UTs during the priod 2003-04 to 2005-06, the 16 nominated officers could visit only 202 projects in 18 States. The Committee also fined that inspection reports in respect of 131 projects were incomplete and not in the prescribed format. Further, there was no record available in the Department of Commerce of the inspection reports being forwarded to the concerned State Governments/Nodal Agencies for taking further corrective action. Such kinds of problems also persist in the case of EDF projects as well. Out of the total number of 179 quarterly reports that were to be received from the 22 beneficiaries during the years 2001-02 to 2005-06, the Department received only 21 reports from 13 beneficiaries and most of the progress reports submitted by the beneficiaries did not give the physical and financial status of the projects in quantitative terms. The Secretary, (Commerce) during evidence was candid enough to admit all the lapses pointed out by Audit regarding inadequancies in monitoring of ASIDE Scheme and assured to take all measures to correct the mistakes/lapses and irregularities. The Committee have been informed that as a measure for ensuring that all the projects are inspected physically on a regular basis and necessary timely actions taken thereon, the role of various Central Agencies *viz.* **Nodal Officers of the Department of Commerce, the Development Commissioners of SEZs and the Joint Directorate General of Foreign Trade has been streamlined for making the monitoring more effective and meaningful. In this connection, the Committee are not satisfied with the so called remedial measures taken by the Department as these are at best perfunctory and are not comprehensive and effective in pinpointing the grey areas and weak points in the system. Apparently no concrete measures have been taken to ensure co-ordination amongst the various authorities that are involved in overseeing the implementation of ASIDE projects. The Committee, therefore, recommend that the Department of Commerce should take urgent and concrete measures for streamlining the existing monitoring mechanism so that the loopholes and deficiencies in the implementation of projects are detected at an early stage and corrective measures taken to remedify them. Responsibility for various lapses and irregularities in the implementation of the scheme should be fixed on the erring officials. The Committee also expect that the meetings of the monitoring bodies of ASIDE scheme at all levels would be held as per stipulation without fail and representatives of the Department of Commerce attend all the meetings of SLEPC. The Committee further recommend that all the monitoring bodies/concerned authorities should undertake surprise and random inspections of ASIDE projects on a periodical basis to physically verify their progress.**

15. The North Eastern States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura hold huge export potential in

respect of high quality horticulture produce like Citrus fruits, Apple, Banana, Passion fruit, Pineapple, Papaya, Jackfruit, Ginger, Turmeric, Chilli, Potato, Green vegetables, Spices, Orchids, Cut flowers, etc., which are available in abundant quantity. Further, being natural home to a variety of rare orchids and considering favourable local climate and geographical conditions export of floriculture produce from these States can also be explored. However, the scope and quantum of exports of the aforesaid produce/articles from this region is currently much below its potential due to various factors/constraints like poor availability of export infrastructure facilities, remoteness of the region, unfriendly terrain, transport bottlenecks etc. This is further worsened by the low technological base and limited market infrastructure with virtually no storage facilities resulting in a very low or even no growth in this sector. As a consequence, the States in the region have not been able to tap the full export potential of their produce. The Committee find that no specific and significant export infrastructure for the purpose has been set up so far in the region under ASIDE scheme. With a view to augmenting export infrastructure in the region especially for horticultural and agro-forestry produce, the Committee desire that possibility of linkages between ASIDE Scheme and the regional schemes of North Eastern Council and those of the respective State Governments should be explored so that a systematic chain for exports of the aforesaid items from the region are put in place and operationalised. In this connection, the Committee would like the Department of Commerce to enter into an understanding with the North Eastern States with a view to providing assistance to the exporters in such a way that local bodies/NGOs/private sector are encouraged to come forward and take active part in the production and export of horticultural and agro-forestry produce from the region. The Committee also desire that necessary infrastructure like storage, warehousing and transportation facilities should be created/upgraded in the region to encourage establishment of export-oriented agro-forestry food processing industry in the region.

16. The Committee observe that the country's exports and foreign exchange earnings in the recent years have adversely been affected by the current global economic recession. This downturn in the country's export performance is certainly bound to deal a heavy blow to the ongoing process of export infrastructure building and more especially the participation of the States in these activities. At this difficult stage, certain urgent remedial measures are desperately required to safeguard the country's distressed export sector. In these circumstances, the purport, scope and importance of ASIDE scheme have assumed greater importance. The Committee expect the Department of Commerce would take all out measures to ensure that ASIDE projects are precisely fine tuned and synchronized with other related activities in such a way that only those bigger projects having distinct and direct linkage with exports are taken up under ASIDE scheme instead of smaller and fragmented projects so that the scheme does not turn out to be a liability to the Exchequer and the challenges in the export front emanating from the recent global economic crisis are effectively met with. In this context, the Committee welcome the idea of giving focused attention during the 11th Plan period to the promotion of Agri Export Zones (AEZs) and rural business hubs, which were not given prominence earlier. The Committee desire that the machinery responsible for planning and approval of ASIDE projects and financial transactions should be systematically overhauled and properly monitored. The

Committee expect that these measures would be taken expeditiously and their strict and effective compliance by the State is ensured by the Department of Commerce.

17. The Committee note that more than 70 per cent of the projects under Central Component of the ASIDE Scheme and a sizable number of State Sector ASIDE projects have been sanctioned for SEZs which are being developed in few State only. Considering the fact that SEZs have already been extended various benefits in the form of tax holidays, duty exemptions, concessional land and other benefits, the Committee are of the view that concentration of a large number of ASIDE projects in SEZs would result not only in duplication of Central Assistance but also in lopsided growth of export infrastructure and widening of inter-state disparities, which does not augur well for the equitable growth of export infrastructure in the country. To sustain the long-term export development of the Country, the Committee believe that apart from SEZs, the Government need to build critical export infrastructure in areas/regions with high export potential. The Committee would, therefore, like the Department to fine tune ASIDE Scheme in such a way that greater emphasis is given to the non-SEZ export schemes.

18. As ASIDE Scheme has been in operation since 2002, the Department of Commerce must have come to know by their experience the kind of infrastructure projects being successful in some States. This experience could have been tried to replicate in other States. The Committee would like to know whether any such effort has been made by the Government during the last 8 years.

NEW DELHI;
27 *August,* 2010
5 *Bhadrapada*, 1932 (*Saka*)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FOURTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2008-09) HELD ON 2ND JULY, 2008

The Committee sat from 1100 hrs. to 1240 hrs. on 2nd July, 2008, in Room No. '63', Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra—*Chairman*

MEMBERS

Lok Sabha

2. Shri Vijay Bahuguna
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri Shailendra Kumar
6. Shri Bhartruhari Mahtab
7. Shri Brijesh Pathak
8. Prof. M. Ramadass
9. Shri Rajiv Ranjan 'Lalan' Singh
10. Shri Sita Ram Singh
11. Shri Kharabela Swain
12. Shri Tarit Baran Topdar

Rajya Sabha

13. Shri Raashid Alvi
14. Shri Prasanta Chatterjee
15. Shri B.K. Hariprasad
16. Shri Shanta Kumar
17. Dr. K. Malaisamy
18. Shri Tarlochan Singh

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri Gopal Singh — *Director*
3. Shri M.K.Madhusudhan — *Deputy Secretary*

OFFICERS OF THE OFFICE OF THE C&AG OF INDIA

1. Ms. Praveen Tripathi — ADAI
2. Shri Nand Kishore — Pr. Director (PA)
3. Shri K.R. Sriram — Pr. Director (ESM)

REPRESENTATIVES OF THE MINISTRY OF COMMERCE AND INDUSTRY (DEPARTMENT OF COMMERCE)

1. Shri G.K. Pillai — *Secretary*
2. Shri R. Gopalan — *Additional Secretary*

2. At the outset, the Chairman, PAC welcomed the Members and Audit Officers to the sitting of the Committee. The Chairman informed the Members that the sitting has been convened to take oral evidence of the representatives of Ministry of Commerce and Industry (Department of Commerce) on the C&AG's Report No. 18 of 2007 relating to Performance Audit of "Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme".

3. Thereafter the Officers of the C&AG of India briefed the Committee on specific points arising out of the afforesaid Audit Report.

4. Then the representatives of the Ministry of Commerce and Industry (Department of Commerce) were called in. The Chairman read out contents of the Direction 58 by the Speaker regarding secret nature of the proceedings of the Committee.

5. The Secretary, Department of Commerce after introducing his colleagues in the Ministry to the Committee, gave a brief background of the genesis and implementation of ASIDE scheme and the Audit findings thereon. He explained to the various queries raised by the Chairman and the Members. To certain queries, for which the witnesses could not give satisfactory replies, the Hon'ble Chairman directed the representatives of the Ministry to furnish the requisite information as desired by the Members in writing, at the earliest, particularly in regard to:

(i) quantitative performance of ASIDE scheme and details of infrastructure created in each of the States/UTs under the scheme;

(ii) reasons for large-scale violation of the guidelines while approving ASIDE scheme leading to improper approval and sanctioning of ASIDE projects by the Ministry and measures taken by the Ministry for rectifying the lapse;

(iii) release of funds on the basis of ad-hoc assessment and revision of criteria for allocating ASIDE funds to the States;

(iv) Irregularities in the operation of ASIDE scheme *viz.* excess release of funds, diversion of funds, non-adjustment of unspent balances, retention of unutilized funds by the implementing agencies, non-recovery of interest, etc.;

(v) the States to whom the bulk of ASIDE funds have been allocated and their performance;

(vi) corrective measures undertaken by the Ministry to ensure that ASIDE funds/projects are directly linked with export activities;

(vii) remedial measures taken by the Ministry pursuant to the mid-term appraisal report of the scheme;

(viii) steps taken for overhauling the scheme at the Central, State and project levels; and

(ix) fixing of responsibility and action taken against the erring officials/individuals for lapses in the implementation of ASIDE scheme.

6. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX II

MINUTES OF THE NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10) HELD ON 11TH FEBRUARY, 2010

The Committee sat on Thursday, the 11th February, 2010 from 1500 hrs. to 1700 hrs. in Committee Room 'A', Parliament House Annexe, New Delhi.

PRESENT

Shri Sharad Anantrao Joshi — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Khagen Das
5. Dr. K. Sambasiva Rao
6. Shri K. Sudhakaran
7. Shri Aruna Kumar Vundavalli

Rajya Sabha

8. Shri Shanta Kumar
9. Dr. K. Malaisamy
10. Shri N.K. Singh
11. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri P.K. Kataria — Principal Director (Report Central)
2. Shri K.R. Sriram — Principal Director (Economic and Service Ministries)

REPRESENTATIVES OF THE MINISTRY OF COMMERCE AND INDUSTRY (DEPARTMENT OF COMMERCE)

1. Dr. Rahul Khullar — Commerce Secretary
2. Dr. Shyam Agarwal — Joint Secretary
3. Shri Anil K. Bamba — Director

2. As the Hon'ble Chairman was not present, the Committee, under Rule 258 (3), chose Shri Sharad Anantrao Joshi, M.P. and a Member of the Committee to preside over the sitting.

3. The acting Chairman welcomed the Members and the Audit Officers to the sitting of the Committee. Then, the Audit Officers briefed the Committee on the important issues arising out of the C&AG's Report No. 18 of 2007 on "Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) Scheme."

4. Thereafter, the representatives of the Ministry of Commerce and Industry (Department of Commerce) were called in and the acting Chairman welcomed them to the sitting. The Committee commenced further evidence on the subject. The Commerce Secretary explained in brief the action taken by the Department of Commerce with regard to the Audit findings and the general impact of the scheme. He also clarified various points raised by the Members. The acting Chairman desired that the Ministry might furnish written replies to certain queries which required detailed and statistical information.

5. The acting Chairman thanked the representatives of the Department of Commerce for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the subject.

The witnesses, then, withdrew.

A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX III

MINUTES OF THE NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2010-11) HELD ON 27TH AUGUST, 2010

The Committee sat on Friday, the 27th August, 2010 from 1500 hrs. to 1700 hrs. in Room No. '62', Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

Lok Sabha

2. Shri Ramen Deka
3. Shri Naveen Jindal
4. Shri Satpal Maharaj
5. Shri Bhartruhari Mahtab
6. Dr. K. Sambasiva Rao
7. Shri Jitendra Singh (Alwar)
8. Shri K. Sudhakaran
9. Dr. M. Thambidurai
10. Shri Aruna Kumar Vundavalli

Rajya Sabha

11. Shri Ashwani Kumar
12. Shri Prasanta Chatterjee
13. Shri Tiruchi Siva
14. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri Sanjeev Sharma — *Deputy Secretary*
4. Shri D.R. Mohanty — *Under Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms. Rekha Gupta — Dy. CAG (Report Central)
2. Shri R.P. Singh — Director General of Audit (P&T)
3. Ms. R. Rajalakshmi — Director General of Audit (Railways)

4.	Ms. Shubha Kumar	—	Pr. Director (RC)
5.	Shri Bhawani Shankar	—	Director, AMG-II (ESM)
6.	Shri Kulwant Singh	—	Director, AMG-IV (CE)

** ** ** **

** ** ** **

5. The Committee, thereafter, took up for consideration and adoption the following Draft Reports:

(i) *** *** ***

(ii) Draft Report on 'Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme' based on C&AG's Report No. 18 of 2007 (Performance Audit), Union Government, (Civil).

6. After some deliberations, the Chairman desired that suggestions/modifications, if any, to the above mentioned Draft Reports may be communicated to the Secretariat in writing for suitable incorporation in the respective Reports. The Committee, then, adopted the Draft Reports and authorized the Chairman to finalise them in the light of factual verification by Audit or otherwise and present the same to the House on a date convenient to him.

The Committee then adjourned.

GMGIPMRND—4545LS—20.10.2010.

"All Parliamentary Publications including DRSC Reports are available on sale at the Sales Counter, Reception, Parliament House (Tel. Nos. 23034726, 23034495, 23034496). Agents appointed by Lok Sabha Secretariat and Publications Division, Ministry of Information and Broadcasting, CGO Complex, Lodhi Road, New Delhi (Tel. Nos. 24367260, 24365610) and their outlets. The said information is available on website 'www. parliamentofindia.nic.in'.

The Souvenir Items with logo of Parliament are also available at Sales Counter, Reception, Parliament House, New Delhi. The Souvenir items with Parliament Museum logo are available for sale at Souvenir Shop (Tel. No. 23035323), Parliament Museum Parliament Library Building, New Delhi. List of these items are available on the website mentioned above."