

FERTILIZER SUBSIDY

[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Eighty-first Report (15th Lok Sabha)]

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

PUBLIC ACCOUNTS COMMITTEE
(2014-15)

THIRTEENTH REPORT

SIXTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

PAC NO.2044

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सत्यमेव जयते

Presented to Lok Sabha on: 18.12.14

Laid in Rajya Sabha on: 18.12.14

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014/ Agrahayana 1936 (Saka)

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* Not appended to the cyclostyled copy of the Report

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2014-15)

Prof. K.V. Thomas

- Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmputra
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
- 10*. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
- 12†. Shri Shiv Kumar Udasi
13. Dr. Kirit Somaiya
14. Shri Anurag Thakur
- 15‡. Dr. P. Venugopal

RAJYA SABHA

16. Shri Satyavrat Chaturvedi
17. Shri Vijay Goel
18. Dr. Satyanarayan Jatiya
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ramchandra Prasad Singh

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri Jayakumar T. - Additional Director
3. Smt. Anju Kukreja - Under Secretary

* Elected w.e.f. 3rd December, 2014 *vice* Shri Rajiv Pratap Rudy who has been appointed as Minister w.e.f. 9th November, 2014.

† Elected w.e.f. 3rd December, 2014 *vice* Shri Jayant Sinha who has been appointed as Minister w.e.f. 9th November, 2014.

‡ Elected w.e.f. 3rd December, 2014 *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2014-15), having been authorized by the Committee, do present this Thirteenth Report (Sixteenth Lok Sabha) on Action Taken by Government on the Observations/Recommendations of the Committee contained in their Eighty-first Report (Fifteenth Lok Sabha) on 'Fertilizer Subsidy' relating to the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Eighty-first Report was presented to Lok Sabha/laid Rajya Sabha on 30.04.2013. Replies of the Government to the Observations/Recommendations contained in the Report were received on 18.11.2014. The Public Accounts Committee considered and adopted this Report at the Sitting held on 16.12.2014. Minutes of the Sitting are given at Appendix I.

3. 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.

4. 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.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Eighty-first Report (Fifteenth Lok Sabha) is given at Appendix II.

NEW DELHI;
17 December, 2014
26 Agrahayana 1936 (Saka)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.



REPORT

PART – I

INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Eighty-first Report (15th Lok Sabha) on 'Fertilizer Subsidy' based on C&AG Report No. 8 of 2011-12 (Performance Audit) Union Government (Civil) relating to the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Eighty-first Report (15th Lok Sabha), which was presented to Lok Sabha/Laid in Rajya Sabha on 30th April, 2013, contained 19 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) and are broadly categorized as under :

- (i) Observations/Recommendations which have been accepted by the Government:
- Para Nos. 1-4, 10 and 13-19*
- Total: 12**
Chapter - II
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:
- Para Nos. : NIL*
- Total: NIL**
Chapter - III
- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:
- Para Nos. 5, 6, 9 and 12*
- Total: 04**
Chapter - IV
- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:
- Para Nos. 7, 8 and 11*
- Total: 03**
Chapter – V

3. The detailed examination of the subject by the Committee had revealed certain shortcoming/deficiencies on the part of the Department of Fertilizer which inter-alia included deficient assessment of fertilizer requirement; huge gap between the demand and supply of fertilizers; lack of scientific and realistic assessment of the fertilizer requirement; failure to incentivize increase in the domestic production of fertilizer even after effecting changes in the subsidy regime; virtual stagnation in the production of Urea during the last five years; numerous instances of non-availability/shortage of fertilizers; absence of physical verification of stocks and sale of fertilizers beyond the first stock point; selling of subsidized fertilizers by unauthorized outlets; irregularities in and excess payment on import of urea; diversion of subsidized fertilizers to the mixing units; inadequacy in the fertilizer quality testing infrastructure; deficient monitoring mechanism etc. The Committee had accordingly given their Observations and Recommendations in their Eighty-first Report (15th Lok Sabha).

4. The Action Taken Notes furnished by the Ministry of Chemicals and Fertilizers (Department of Fertilizers) in respect of all the Observations/Recommendations of the Committee have been reproduced in the relevant chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the Eighty –First Report, which need reiteration or merit comments.

5. The Committee desire that Government should furnish final/conclusive action taken replies to the Recommendations for which interim replies have been furnished.

I. NEW PRICING SCHEME (NPS)**(Recommendation Para No. 5)**

6. The Committee were deeply concerned to find the high increase in the energy cost of the domestic urea manufacturing units amounting to ₹ 4010 crore during 2010-11 and ₹ 9127 crore during 2011-12. According to the Department, the pricing of APM and KG D-6 gas combinedly constitute 60 per cent of the increased energy cost i.e. 32 per cent attributable to GAIL/ONGC/OIL for APM supplies and 28 per cent attributable to RIL for KG D-6 gas. As the pricing of such energy resources was directly or indirectly governed by the policies adopted by the Ministry of Petroleum & Natural Gas for gas and the Ministry of Coal for coal, the Urea units or the Department of Fertilisers have no control over it. The Committee also found that due to lack of commitment by the Government on availability of domestic natural gas at a pre-determined price formula, the objectives to revamp, expand and revive the existing Urea units besides setting up of Brownfield/Greenfield projects, as enunciated in the New Investment Policy, 2008 had not been fructified and the formulation of the New Investment Policy, 2012 was statedly under consideration. In view of the imperatives involved and increase in the subsidy burden on the Government of India due to increase in the energy cost, the Committee impressed upon the DoF and the DAC to take up the matter with utmost urgency at the appropriate fora to find workable and sustainable solutions to the extant policies governing allocation of gas and coal so that new investments are attracted, the existing Urea units are revamped, expanded and revived and the Brownfield/Greenfield Projects are set up, as envisaged. The Committee had further recommended that the Ministry should strengthen and intensify the R&D activities towards exploring alternative cheaper feedstock options and adapt successful time tested options being practiced in other Countries to boost indigenous urea production.

7. The Ministry of Chemicals and Fertilizers (Department of Fertilizers) in their Action Taken Note have stated as under :

"So far as the allocation of gas to urea manufacturing units is concerned, the matter has been taken up with Ministry of Petroleum and Natural Gas several times at various levels for existing urea units, units converting from Naptha, FO/LSHS to Gas and new Brownfield/Greenfield projects. However, the reply is still awaited from Ministry of Petroleum & Natural Gas.

It is pertinent to mention here that, as per the EGoM's decision dated 23.08.2013, the total domestic gas supply to fertilizer sector has been capped at their present level of 31.5 MMSCMD and that all additional domestic gas in the year 2013-14, 2014-15 and 2015-16 has been allotted to the power sector to help improve power generation. EGoM will review the gas production scenario thereafter for deciding the allocation of additional domestic gas available from 2016-17 onwards.

As regard exploring possibility of cheaper feedstock, it is mentioned that as per CCEA's decision, Talcher unit of FCIL is going to be revived by consortium of PSU's namely GAIL, RCF and CIL on coal gasification.

Furthermore, department of Fertilizers has notified New Investment Policy – 2012 on 02nd January 2013 in order to facilitate fresh investment in urea sector and to reduce India's import dependency in urea production.

In response to Notification of 2012, as of now, 14 companies (including PSUs) have responded to the NIP-2012 and filed compliance report for setting up new Brownfield/Greenfield/JV project. In addition, Nagarjuna Fertilizers and Chemicals Nigeria Limited (NFCNL) has proposed a joint venture in Nigeria with annual 2MMT off-take arrangement to India.

As per deliberation and discussion held in the meeting on 01.07.2013 under Chairmanship of PS to Hon'ble Prime Minister, it was decided to move an amendment in New Investment Policy, 2012 through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. The draft CCEA Note has been circulated on 21st August, 2013 for Inter-Ministerial consultation before placing it for consideration of CCEA".

8. Concerned with increasing energy costs in the domestic urea manufacturing units and delay in finalizing a workable solution to the extant policies governing allocation of gas and coal for attracting new investments in the sector, the Committee had desired that the Ministry should strengthen and intensify the R&D activities

towards exploring possibility of alternative cheaper feedstock options and try to emulate time tested options being practiced in other countries to boost indigenous urea production. The Committee observe from Ministry's reply that the gas requirement of fertilizer sector is 46 MMSCMD while the domestic gas supply to this sector at present has been capped at the level of 31.5 MMSCMD till 2015-2016 and that all additional domestic gas supply has been allotted to the power sectors. The Committee are also informed that EGOM will review the gas production scenario in 2016 for deciding the allocation of additional domestic gas supply. The Committee taking note of the constraints behind keeping a cap of 31.5 mmscmd when the gas requirement of fertilizer sector at present is 46 MMSCMD and which will undoubtedly be increasing in the coming years, desire that the Ministry besides taking up the matter of revising the cap on supply of gas to domestic urea units should give more emphasis on alternative sources to meet their growing energy demands. Further, the Committee observe that in pursuance of their recommendation regarding exploring possibility of cheaper feedstock the Ministry have mentioned only one instance of Talcher Unit of FCIL being proposed for revival by consortium of PSUs on coal gasification. The Committee exhort the Department to focus towards exploring and creating more cheaper feedstock options, revamping, reviving and expanding the Fertilizer units, strengthening and intensifying the R&D efforts to explore viable and cheaper feedstock options and adopting time tested options/technologies being practiced abroad to achieve the target of becoming self reliant in production of urea. The Committee would also like to be apprised of the present status of the proposed amendment in New Investment Policy, 2012 for substituting the Phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards.

II. REVIVAL OF CLOSED FERTILIZER UNITS

(Recommendation Para No. 6)

9. According to the Department, Urea(N) is the only fertilizer, the requirement of which is largely (around 75 per cent) met through indigenous production which can *inter-alia* be enhanced by the revival of the closed Urea units of the Fertilizer Corporation of India Ltd (FCIL) and Hindustan Fertilizer Corporation Ltd (HFCL). But, the Committee were perturbed to find that the process of revival of various closed units of FCIL and HFCL initiated by the Government in the year 2007 was still under examination of the Board for Industrial and Financial Restructuring (BIFR) even after the recommendations made by the Empowered Committee of Secretaries (ECOS) to revive the closed units. Surprisingly, the State Governments were neither consulted nor taken into confidence in the implementation process while adopting the New Investment Policy, 2008 under which the revamp/revival process was to be effected. The Committee were also distressed to find that the additional demand of natural gas has to be met through imports for meeting the estimated requirement of 34 million tonnes of urea production based entirely on gas by the end of 12th Plan period *vis-à-vis* the expected production of urea from existing gas and non gas plants working out to only 22 million tonnes. With the cost of subsidy for imported urea obviously much higher than that for indigenous urea, the Committee had felt that the continued dependence on imports creates a distortion in subsidy as well as in the fertilizer pricing policy. In view of the fact that the Government had accorded in principle approval for considering the write off of Government of India loans and interest liabilities of FCIL and HFCL subject to submission of fully tied up proposals, the Committee had exhorted the DoF to take requisite urgent measures for the revival of the closed fertilizer units of FCIL & HFCL so that indigenous production of Urea is enhanced to a large extent. The Committee had further desired that the New Investment Policy 2012 which is in the offing and would facilitate strategic

investments by Indian entities in resource rich countries abroad having comparatively cheaper feedstock/energy options, be expedited for implementation so that the joint ventures abroad already negotiated/initiated are fructified to enable the Country to gain significant foothold in the international fertilizer sector.

10. In this regard, the Ministry of Chemicals and Fertilizers (Department of Fertilizers) in their Action Taken Note have stated as under:

"The BIFR in its oral hearing held on 22.11.2012 in respect of FCIL and in another meeting held on 19.12.2012 in respect of HFCL advised that Department of Fertilizers should explore the possibility of the companies' net-worth becoming positive and directed to work out way to repay the dues of creditors of the FCIL and HFCL to enable the companies to move out of purview of BIFR.

A meeting of Empowered Committee of Secretaries (ECoS) was held on 23.01.2013 to discuss the various issues concerning revival of HFCL/FCIL along with above direction of BIFR. ECoS recommended that the matter be placed before the CCEA. Meanwhile, Principal Secretary to the Prime Minister took a meeting on 28.01.2013 on revival of closed fertilizer urea units. During the meeting, it was inter-alia decided that the Department of Fertilizers will bring a note for CCEA in respect of FCIL seeking waiver of government dues and also seeking inter corporate loans to FCIL. In respect of closed units of HFCL, it was decided that proposal/action plan on revival of HFCL be taken up once revival of FCIL is on track.

Based on the recommendation of ECoS and directions of PMO, a proposal for revival of closed units of FCIL was placed before CCEA. CCEA in its meeting held on 9.5.2013, inter-alia, approved waiver of Government of India loan and interest of Fertilizer Corporation of India Limited (FCIL) to facilitate FCIL to arrive at positive net worth. In respect of closed units of HFCL, it has been decided that proposal /action plan on revival of HFCL will be taken up once revival of FCIL is on track.

The above decision enabled FCIL to get de-registered from the purview of Board for Industrial and Financial Reconstruction. Further HFCL in its 271st Board Meeting held on 16.7.2013 desired that a CCEA note for revival of HFCL on the pattern of FCIL is required to be initiated to make HFCL's net worth positive, so that the company may come out of the purview of BIFR. HFCL has submitted a draft proposal to be submitted before CCEA for making the company's net-worth positive and enabling it to exit from the BIFR purview. The proposal of HFCL is under consideration."

11. Further, apprising the Committee about the progress of revival of Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Company Limited (HFCL), the Ministry submitted as under:

"The pre-project activities for revival of Talcher Unit (Odisha) of FCIL by the nominated PSUs, namely, Rashtriya Chemicals & Fertilizers Limited (RCF), Coal India Limited (CIL), Gas Authority of India Limited (GAIL) & FCIL are in progress to set-up a coal-based fertilizer plant. It has been proposed to establish two joint venture (JV) companies viz. First company for upstream coal gasification section with GAIL and second company comprising RCF, CIL and FCIL for downstream section of Ammonia-urea, Nitric Acid, Ammonia Nitrate plants, off sites and utilities. The Memorandum of Understanding (MOU) among consortium PSUs i.e. CIL, RCF, GAIL and FCIL, has been signed on 5.9.2013. Selection of coal gasification technology is in process. The time line for revival of Talcher unit is as under:

- i. JV formation through Registrar of Companies : By 15.11.2014
- ii. Financial closure & Zero date : By 1.01.2015
- iii. Commissioning of Project : By 31.12.2018

Ramagundam Unit:

The pre-project activities for revival of Ramagundam Unit (Telangana) of FCIL by the nominated PSUs, namely, Engineers India Limited (EIL) & National Fertilizers Limited (NFL) are in progress to set-up a gas-based fertilizer plant. The Joint Venture agreement and Concession agreement are under discussion and are being targeted for conclusion/ approval by respective boards. EIL & NFL are having discussions with the Technology providers. Technology selection for Ammonia and Urea process unit would be completed by the end of October, 2014. The JV company would operate the plant and EIL would take up the detailed Engineering Procurement of equipment and Construction (EPC) of the plant. The time line for revival of Ramagundam unit is as under:

- i. JV formation : By 31.12.2014
- ii. Award of contract to Technology Licensors : By 31.03.2015
- iii. Project completion : By 30.9.2018

Sindri unit

For Sindri unit, SAIL-Sindri Projects Ltd. (SSPL), a wholly owned subsidiary of SAIL, has been incorporated in November 2011 for the purpose of revival of Sindri Unit of FCIL. However, not much progress has been made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant. Out of total land of 6652 acres with FCIL at Sindri, 5482 acres of land is considered for revival and contiguous piece of 3247 acres of encroachment free land for setting up the proposed facilities by SAIL is required.

Revival of Gorakhpur Unit (Uttar Pradesh) & Korba Project (Chhattisgarh) of FCIL through bidding process has not yet been taken up.

Hindustan Fertilizer Company Limited (HFCL):

Proposal/ action plan on revival of HFCL to be taken up once revival of FCIL units is on track".

12. Keeping in view the higher cost of subsidy on imported urea than indigenous urea and Government's in principle approval for the writing off of Government of India loans and liabilities of FCIL and HFCL, subject to submission of fully tied up proposals, the Committee had desired that Department of Fertilizer should take urgent measures for revival of closed units of FCIL and HFCL. DoF in their reply have stated that process of revival of Talcher and Ramagundam unit of FCIL has been initiated and time line for revival of first stage of finalization of Joint Ventures (JVs) are set at 15.11.2014 and 31.12.14 respectively and their completion would be expected by 31.12.18 and 30.09.18 respectively. The Committee desire the Department should proactively ensure that all deadlines set for the revival of Talcher and Ramagundam unit for FCIL should positively be met and any delay in this respect should be taken very seriously. The Committee is further pained to note that not much progress has been made for the revival of Sindri unit due to non-availability of around 3000 acres of contiguous land for the steel plant even after lapse of three years since the incorporation of SAIL-Sindri Projects Ltd in November 2011. The Committee are, however, surprised to note that the reply is silent about the action taken by the Ministry to procure the required land. Further, the Ministry have also not explained the reasons for not taking up the revival of Gorakhpur unit (UP) and Korba Project (Chhatisgarh) even after a lapse of three years. Taking note of the fact that revival of Sindri Unit which is the first fertilizer plant of independent India will be a positive step

in direction of achieving self reliance in fertilizer production, the Committee emphasize that the progress of all other units be monitored regularly at the higher level. The Committee would like to be apprised of the stipulated date of completion of each project and the actual status of the work completed as on 31.12.14. Further as regards the revival of Hindustan Fertilizer Company Ltd. (HFCL), the Committee desire that the proposal/ action plan for revival of HFCL which is under consideration of CCEA should not be linked to revival of FCIL but pursued simultaneously to a logical conclusion without any further delay.

III. NUTRIENT BASED SUBSIDY POLICY (NBS)

(Recommendation Para No. 9)

13. The Committee found that the Government of India are promoting soil test based balanced and judicious use of chemical fertilizers, bio fertilizers and locally available organic manures, like Farm Yard Manure (FYM), compost, vermicompost and green manure to maintain soil health and its productivity. The Committee also found that funds were being provided to the State Governments through various schemes of the DAC like Macro Management of Agriculture (MMA), Rashtriya Krishi Vikas Yojna (RKVY) and National Project on Management of Soil Health & Fertility (NPMSF) for taking up all the activities for popularization of organic and biological nutrients. While taking due note of the various initiatives taken up by the Government of India to promote organic and biological nutrients, the Committee had desired that a centralized monitoring command be established to oversee strict enforcement of the measures initiated/contemplated so as to ensure educating the farmers on the benefits of balanced use of fertilizers for efficiency and protecting the soil health. In view of the reportedly good performance of some states like Andhra Pradesh and Karnataka in ensuring increased productivity by maximum use of organic manure, the

Committee had further desired that the DoF and DAC convince and prevail upon other State Governments to emulate Andhra Pradesh and Karnataka so that there is increased productivity across the Country.

14. The Ministry of Chemicals and Fertilizers (Department of Fertilizers) in their Action Taken Note made the following submission :

"The farmers are educated on benefits of balanced use of fertilizers through the component of farmers training under National Project on Management of Soil Health & Fertility (NPMSH&F). This component is implemented through State Governments, ICAR, SAUs etc. The State Governments have been advised to take advantage under NPMSH&F and Macro Management of Agriculture Schemes for training of farmers. The State Nodal Officers (ATMA Scheme) have been instructed for providing suitable training to farmers. GPS based soil fertility maps are being prepared by Indian Institute of Soil Science (IISS), Bhopal to provide soil fertility status and fertilizer recommendation to the farmers.

For maximizing use of organic manure, an advice note has been sent to all States/Sugar factories to take the benefit of back ended subsidy scheme of National Project on Organic Farming for establishment of bio-compost units. Time to time advice is also given to states for encouraging greater use of manures like Farm Yard Manure, vermi-compost, green manure, fruit & vegetable waste compost & Municipal Solid Waste compost etc."

15. Apprising the Committee about the efforts made with Department of Agriculture and Co-operation and progress made by Indian Institute of Soil Science (IISS), Bhopal to increase the agricultural productivity across the country, the Ministry submitted as follows:

"Under Soil Health Management component of National Mission for Sustainable Agriculture, there is provision for training programme for farmers on balanced use of fertilizers. The training is of two days duration for which Rs.10,000/- per training is provided. The training consists of topics such as importance of soil testing in Soil Health Management; importance of balanced fertilizer use in crop productivity and soil health management, sampling protocols and sending samples to testing laboratories; importance of organic manures and bio-fertilizers in balanced growth of crop etc.

Under the scheme, 934 number of trainings for farmers have been sanctioned from 2008-09 to 2013-14.

GPS based soil fertility maps have been prepared by Indian Institute of Soil Science, Bhopal for 171 districts to provide soil fertility status and fertilizer recommendation to farmers”.

16. The Committee have taken note of the various actions taken by the Department for furtherance of awareness among the farmer community regarding benefits of balanced use of fertilizers. The Committee also note that most of the schemes and initiatives being taken are under the purview of State Governments and it is apparent that the effective implementation of all the proposed measures and initiatives depend upon the respective State Governments. Considering the importance of this issue, the Committee had recommended for provision of a centralized monitoring command to oversee strict enforcement of the measures contemplated/initiated. However, Committee are displeased to note that even after a lapse of more than one year, the Department has not taken any action with regard to establishment of a centralized monitoring command. The Committee exhort the Department to urgently work in the direction of establishing a centralized monitoring command at the earliest which will not only oversee the measures proposed/being undertaken in the realm of educating farmers on the benefits of balanced use of fertilizers for efficiency and protecting the soil health. It will also act as an overseeing/evaluating authority which will provide necessary inputs and guidance to various State Governments for effective and fruitful implementation of various planned initiatives which would in turn lead to judicious use of fertilizers and increased productivity on pan India scale. The Department have also informed that under Soil Health Management Component of National Mission for Sustainable Agriculture, 934 number of trainings for farmers have been sanctioned from 2008-09 to 2013-14. The Committee desire to know about the outcome of these trainings including details about the number of States who conducted those trainings,

number of farmers trained and details of proposed schedules of such trainings. The Committee also desire that the Department should ensure that benefits of these trainings should reach the intended beneficiaries and maximum number of farmers across country are covered. The Committee also desire the Ministry to use print/electronic media to spread awareness about the benefits of judicious and informed use of fertilizers and harmful impact of its inconsiderate and excessive use on soil health as evident in different parts of country. The Committee further desire that organic farming as practiced in hilly and tribal areas should also be promoted in other parts of the country.

The Committee are happy to note that the Indian Institute of Soil Sciences have prepared GPS based soil fertility maps of 171 districts to provide soil fertility status and fertilizer recommendation to farmers. However, the Action Taken Note is silent about the further course of action taken on such maps. In order to encourage the idea of scientific and appropriate use of fertilizers, the Committee desire that the exhaustive GPS based soil fertility status/maps of all the cultivable districts of the country should be prepared on a regular basis and timely and correct advise can be rendered to the farming community accordingly.

III. NEED TO REVISIT THE EXTANT LICENSING/MEMORANDUM OF INTIMATION SYSTEM

(Recommendation Para No. 12)

17. The Committee had noted that prior to January, 2003, it was mandatory under the Fertilizer Control Order (FCO) for the dealer to possess the certificate of registration for carrying out the business of selling of fertilizers. Later on, w.e.f. 16th January, 2003, the Ministry had dispensed with the registration certificate of dealers and replaced it with the system of Memorandum of intimation i.e. every person intending to sell or offer for sale or carrying the business of selling fertilizers shall make memorandum of Intimation to the

notified authority and the acknowledgment of the Intimation would constitute the authorization letter which would be valid for a period of three years from the date of issue. The Committee had also been informed that the State Governments were responsible to issue licences to the dealers for carrying out wholesale/retail business of fertilizers as well as for the timely renewal of the licences. But, several deficiencies had come to the notice of the Committee like dealers carrying out fertilizer business without either valid licence from the State Agriculture Department or any certificate of registration from the appropriate authority; non-maintenance of the stock registers by the dealers; black marketing of the fertilizers etc. The Secretary, DoF was candid enough to admit before the Committee that there have been instances of smuggling of fertilizers not only to neighbouring States but to even neighbouring Countries also. In view of the alarming situation the Committee had desired the Department to revisit the extant licensing/Memorandum of Intimation mechanism and take requisite but urgent corrective measures to plug the loopholes so that unscrupulous dealers are unable to take undue advantage of the lacunae and unauthorized sale, black marketing and smuggling of fertilizers are stopped. The Committee have also stressed that vigorous and concerted efforts are required to make the subsidy administration clean, transparent and foolproof so that every penny of the tax payers' money utilized towards fertilizer subsidy is accounted for and the intended benefits accrue to the farmers.

18. The Ministry of Chemicals and Fertilizers (Department of Fertilizers) in their Action Taken Note have stated as under:

"Ministry of Agriculture has informed that no change in clause 8 of FCO, pertaining to Memorandum of Intimation has taken place after 2003 and at present no change in the said clause is contemplated or under consideration in the Ministry of Agriculture.

As regards smuggling of fertilizers, this Department has been sensitizing the State Agriculture Authorities for issuing instructions to all enforcement agencies under their jurisdiction to keep a strict vigil and check smuggling of fertilizers from India to other neighboring countries through land and sea routes. The

States have also been requested to activate these agencies for taking all necessary steps under Fertilizer Control Order (FCO), 1985 for preventing misuse of subsidized fertilizers, hoarding/ black-marketing/ breach of MRP and tagging of fertilizer.

Ministry of Home Affairs, Department of Revenue, Directors General of Police of all States having international border/BSF etc. and Director General, Assam Rifles, Shillong, have also been requested to take necessary steps in this regard".

19. Alarmed at the glaring lacunae present in the system of granting and renewing licenses leading to large scale smuggling and unauthorized sale and black marketing of fertilizer, the Committee had desired that the Department should revisit the clauses pertaining to Memorandum of Intimation in the Fertilizer Control Order (FCO). The Committee, however, are perturbed to note that no change has been made in clause 8 of FCO pertaining to Memorandum of Intimation since 2003 and at present no change in the said clause is contemplated or under consideration of the Ministry of Agriculture. The Committee feel that there is urgent need of reviewing the system of granting and renewing the issue of Memorandum of Intimation and to strengthen this system by plugging various loopholes. The Committee desire that the Department should proactively engage with the Ministry of Agriculture on this issue and point out the need to consider revising this clause citing the instances of misuse of and exploitation by unscrupulous elements causing great loss to the exchequer. The Committee, therefore, feel that concerted efforts in this direction are much warranted as it would not only ensure subsidy administration clean and transparent but would also ensure timely and adequate supply of fertilizer to farmers in every nook and corner of country.

The Committee are also concerned to note that in pursuance of their recommendation for taking urgent corrective measures to plug the loopholes so that

unscrupulous dealers are unable to take undue advantage of the lacunae and unauthorized sale, black marketing and smuggling of fertilizers are stopped, the Department have merely sensitized the State Agricultural Authorities and the Ministry of Home Affairs for issuing instructions to all enforcement agencies to keep a strict vigil and check smuggling of fertilizers from to neighbouring states and to neighbouring countries. States have also been requested to activate these agencies for taking all necessary steps to prevent misuse of subsidized fertilizers, hoarding/black-marketing etc. The Committee consider it unfortunate that the Department have left the entire system of plugging the loopholes in selling of fertilizers at the mercy of State Governments although monitoring of the implementation of the steps taken is the responsibility of the Department. The Committee, therefore, urge the Department to periodically monitor the steps taken in this regard so that corrective measures, as and when required, can be resorted to. The Committee also exhort the Department to explore the possibility of implementing the Direct Benefit Transfer (DBT) method to pass the benefit of subsidy on fertilizers to the farmers by linking them through Aadhaar number as done in other sectors. The Committee desire the Ministry to furnish a detailed study weighing all pros and cons of the same.

IV. QUALITY CONTROL

(Recommendation Para No. 15 & 16)

20. The Committee noted with profound concern several deficiencies and inadequacies that plague the quality testing of fertilizers such areas of concern inter-alia include grossly inadequate annual capacity of the existing quality control laboratories *vis-à-vis* the required capacity for testing samples from all sales outlets; deficient physical and human infrastructure in many of the laboratories, significant shortfalls in the actual number of samples tested and

above all, the non-adherence to the time limit prescribed for analysis and communication of results of fertilizer quality testing. The Committee had, therefore, impressed upon both the Departments (Fertilizers and Agriculture) to seriously consider the imperatives involved in the quality testing of fertilizers and constantly endeavour for augmenting and strengthening both physical and human infrastructure of the quality testing and soil testing laboratories so that possibilities of supplying sub-standard fertilizers to the farmers are completely eliminated. The Committee had recommended that by working in tandem with the State Governments and involving Research Institutes like Indian Council of Agricultural Research (ICAR) and Indian Institute of Soil Science (IISS), the Departments will certainly be able to bring in noticeable improvements in the quality testing of fertilizers. Taking note of the adverse implications of the delay in communicating results of the fertilizer quality testing within the stipulated time period of 52 days, the Committee had also exhorted the Departments to persuade the State Governments to take stringent action against the officials for violation of clause 30 of the FCO which provides for strict compliance with the time limit stipulated for analysis and communication of the quality testing results.

21. The Ministry of Chemicals & Fertilizers (Department of Fertilizers) in their Action Taken Note have stated as under:

"The Committee has impressed upon to improve the functioning mechanism of Fertilizer Quality Control and implementation of FCO in the states. This Ministry from time to time takes up with the State Governments the need for strengthening of fertilizer quality control set-up and enforcement machinery of FCO in States to ensure quality fertilizers to the farmers etc. Recently also, the directions have been issued to all the State Governments vide this Ministry's letter dated 31.07.2013 for taking corrective/remedial actions on various points".

22. Further, with regard to the number of samples tested and position of sub-standard samples noticed by each laboratory during 2012-13, the Ministry submitted as follows:

S.No.	Name of State	No. of Labs	No. of Samples Analysed	Total NO. of samples found Non Standard
1.	Assam	1	292	8
2.	Mizoram	1	1	0
3.	Jharkhand	1	824	6
4.	Bihar	1	1719	117
5.	Odisha	2	2217	57
	Total East & NER	9	8024	564
7.	Gujarat	3	9990	97
8.	M.P.	4	5497	719
9.	Chhattisgarh	1	2150	77
10.	Maharashtra	5	16939	2728
11.	Rajasthan	4	15586	268
	Total West Zone	17	50162	3889
12.	Haryana	3	4277	83
13.	H.P.	2	1770	27
14.	J&K	2	1980	62
15.	Punjab	2	3629	92
16.	U.P.	5	10227	556
17.	Uttarakhand	2	215	12
	Total North Zone	16	22098	832
18.	A.P.	5	15284	250
19.	Karnataka	7	9642	381
20.	Kerala	2	2262	158
21.	Pondicherry	1	627	3
22.	Tamil Nadu	14	16540	436
	Total South Zone	29	44355	1228
23.	Govt. of India	4	9233	334
	Total All India	75	133872	6857

23. From the figures of state-wise number of fertilizer samples analyzed during 2012-13, the Committee noticed that out of 6857 samples found sub-standard at all India level, maximum number of samples i.e. 3889 samples were found sub-standard in west zone only followed by 1228 samples in South Zone. Further, maximum number of cases i.e. 2728 of sub-standard fertilizers were found in Maharashtra only. The

Committee regret to note that the Department of Fertilizers have not spelt out the follow-up administrative/punitive actions taken against the guilty for selling sub-standard fertilizers. They must constantly monitor to ensure that fertilizer samples are analysed regularly throughout the country and stringent punishments are awarded to the producers and sellers of sub standard fertilizers. In this regard the Committee are of the view that analysis of samples of fertilizers alone will not help maintain the requisite standards unless some strict penal measures are taken against the culprits. The Committee would thus desire to be apprised of the measures taken in this regard and outcome thereof.

Further, the Committee find 15 Laboratories were approved to be set up in the country in addition to existing 75 Fertilizer Quality Control Laboratories. Out of these laboratories one each at Rayagada (Odisha) and Kolhapur have started functioning. The laboratories at other places are under various stages of completion. However, the Action Taken Note is completely silent about the target date for their completion and reasons for delay in their completion. Since the number of quality control laboratories is too inadequate than the required number, the Committee urge the Ministry to draw up a time bound programme for completion of all these laboratories.

NEW DELHI;
17 December, 2014
26 Agrahayana 1936 (Saka)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

APPENDIX-II
(Vide Paragraph 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR EIGHTY-FIRST REPORT (FIFTEENTH LOK SABHA)

- | | |
|--|------------------------------------|
| (i) Total number of Observations/Recommendations | - 19 |
| (ii) Observations/Recommendations of the Committee which have been accepted by the Government:

Para Nos. 1-4, 10 and 13-19 | - Total : 12
Percentage: 63.16% |
| (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:

Para No. Nil | - Total : 0
Percentage: 0 |
| (iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos. 5,6,9 and 12 | - Total : 04
Percentage: 21.05% |
| (v) Observations/Recommendations in respect of which the Government have furnished interim replies:

Para Nos. 7, 8 and 11 | - Total : 03
Percentage: 15.79% |