

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

**New Delhi
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CAG's Audit Report on 'Scheme for Integrated Textile Parks' Presented in Parliament

The Compliance Audit Report No. 2 of 2023 of the Comptroller and Auditor General of India on 'Scheme for Integrated Textile Parks' was presented in the Parliament today.

The Government of India introduced the Scheme for Integrated Textile Parks (SITP) in the year 2005 (during the 10th Plan period) to create new Integrated Textile Parks of international standards and provide the textile industry with world-class infrastructure facilities for setting up textile units. The Scheme was continued during the 11th Plan period (2007-12), 12th Plan period (2012-17) and another period of three years from 01 April 2017 to 31 March 2020. The Scheme has further been extended up to the year 2025-26 for completion of the projects already sanctioned under it.

The Ministry of Textiles was the apex authority responsible for implementation of the scheme. The Ministry appointed Project Management Consultants (PMCs) who were to identify the locations for setting up the Parks, facilitate formation of Special Purpose Vehicle (SPV) at each Park, prepare detailed project report for each Park, structure and appraise the projects, assist the SPV in achieving financial closure, monitor the implementation and submit periodical progress reports to the Ministry.

As per the data provided by the Ministry (as on February 2022), a total of 98 Parks were sanctioned between November 2005 and June 2016. Out of the 98 sanctioned Parks which comprised 26 completed Parks, 30 ongoing Parks and 42 cancelled Parks, Audit selected a sample size of 24 Parks (24 *per cent*) covering 10 completed Parks, 8 ongoing Parks and 6 cancelled Parks by way of stratified random sampling method. Out of the sample size of 24 parks, Audit conducted field visits in 14 Parks.

The main audit findings are as under:

Planning and Implementation of the Scheme

- There was a huge shortfall in achievement of targets by the Parks sanctioned under the Scheme. Even after a lapse of 16 years from the inception of the Scheme, the actual achievement of the 56 completed/ ongoing Parks was 30 *per cent* in terms of employment generation, 50 *per cent* in terms of investments and 37 *per cent* in terms of setting-up of textile units, as against the targets set in the detailed project reports of the Parks.

(Para 3.1)

- There were delays ranging from 1 year to more than 10 years in completion of Parks. Major reasons for delay in completion of Parks were delay in obtaining statutory clearances, issues related to land allotment for the Parks and weak financial strength of the Special Purpose Vehicles. Further, 43 *per cent* of the total sanctioned Parks were cancelled. The cancellation of large number of Parks and inordinate delays in completion of the Parks defeated the purpose of the Scheme to that extent.

(Paras 3.2 and 3.3)

- Very few number of Parks were fully integrated Textile Parks having benefits of value chain and promotion of industrial clusters which would have led to reduction of production costs. A large number of Parks were proposed with only one to two segments of the value chain.

(Para 3.4)

- Without ensuring successful completion of the Parks sanctioned during the 10th Plan period by March 2007 as envisaged in the Scheme guidelines, the Ministry proceeded with sanctioning of more Parks in the 11th and 12th Plan periods.

(Para 3.5)

- The Ministry considered the Parks as ‘completed’ solely on the basis of recommendation of the Project Management Consultant, without ensuring the veracity of the recommendation through independent physical verification by its own officials. Instances of misinformation on the part of Project Management Consultants were noticed in audit.

(Para 3.7)

- After releasing 90 *per cent* of GoI grant, the Ministry approved changed project configuration for setting up of reduced number of factory units. Though the criterion of 25 *per cent* operational units for considering the Park as completed was met with reference to the reduced number of factory units, the basic purpose of ensuring completion of the Park could not be achieved.

(Para 3.8)

- In respect of Surat Super Yarn Park, the Ministry allowed to purchase 2x7.5 MW second-hand Captive Power Plant (turbine and boiler including some of the auxiliaries) from China at a cost of ₹42.30 crore. Only one unit of Captive Power Plant was commissioned in the year 2012 but it became non-operational within a year of its commissioning and subsequently the Park also got shut down.

(Para 3.9)

- Out of grants of ₹122.61 crore released to 20 cancelled Parks, an amount of ₹77.34 crore remained unrecovered from 10 cancelled Parks apart from penal interest of ₹117.72 crore. Out of the remaining 10 cancelled Parks where grants had been recovered, penal interest amounting to ₹34.75 crore was not recovered in case of seven Parks.

(Para 3.10)

- The Ministry had to cancel a few projects after release of GoI grants as the SPV/ Project Management Consultant failed to obtain statutory clearances which were a pre-requisite to commencement of the project.

(Para 3.11)

Present status of the Parks

- Out of the sampled 10 completed Parks, Audit conducted field visits in nine parks and found that three Parks, where grants aggregating to ₹93.60 crore were released and the Ministry had considered them to be successfully completed and showed as functional in its records, were found to be closed/ shut down.

(Para 4.1)

- One Park was found running with non-textile activities like engineering works, furniture works, seeds processing, etc. Further, one Park was found seized by bank.

(Paras 4.2 and 4.3)

- The Ministry treated a few Parks as completed without ensuring creation of common infrastructure and facilities which were initially planned in their detailed project reports.

(Para 4.4)

- Out of the eight sampled ongoing Parks, Audit conducted field visits in five parks and found that three Parks, where grants aggregating to ₹79.61 crore were released and considered as operational by the Ministry, were stuck due to non-availability of statutory clearances. The Ministry had released grants (ranging between 60 *per cent* and 79 *per cent* of the total grant) based on recommendations of the Project Management Consultants without ensuring availability of statutory clearances before commencement of the Parks.

(Para 4.5)

Monitoring and Evaluation

- The Ministry did not take action against the Project Management Consultants (PMCs) despite their failure in fulfilment of obligations. Instances were noticed where the PMC itself issued a sanction letter for loan component of the project instead of assisting the Special Purpose Vehicle in obtaining loan from the banks. This resulted in conflict of interest in the role played by the PMCs in respect of the Parks sanctioned during the 10th and 11th Plan periods.

(Paras 5.1 and 5.2)

- The review of progress of the Parks by the Project Approval Committee was not an independent exercise but was based on the inputs provided by the Project Management Consultant/ Special Purpose Vehicle.

(Para 5.3)

- The Ministry did not involve the State Governments for participation in the Scheme and their recommendations were not sought by the Ministry before approval of the Parks. Non-involvement of the State Governments at the appropriate stage of the projects had been one of the major reasons of the project failure as various projects suffered due to land issues, power supply, water supply and statutory clearances.

(Para 5.4)

- A District Level Coordination Committee under the chairmanship of District Collector with representatives from the Ministry of Textiles and other stakeholders was to be formed for coordinating and monitoring the progress of the Parks, but the same was not found constituted by the Ministry.

(Para 5.5)

- The Scheme guidelines did not envisage any role of the Textile Commissioner/ Regional Textile Commissioners in monitoring of the Parks.

(Para 5.6)

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