

**Chapter I : Marine Products Export Development  
Authority  
(Ministry of Commerce and Industry)**

**Highlights**

- Against the allocation of ₹ 42.50 crore for the years 2007-08 to 2009-10, a sum of ₹ 3 crore was released under the sea freight assistance scheme for import of raw material required for manufacturing of value added products for boosting exports. Even out of this amount a sum of ₹ 1.03 crore remained un-utilized.

*(Paragraph 1.3.1)*

- A substantial amount of ₹ 14.84 crore paid during the period 2007-08 to 2009-10 as subsidy for conversion of vessels into tuna long liners to 345 boat owners has not been effectively utilized as production of Tuna declined from 37000 MT during 2007-08 to 22000 MT during 2009-10.

*(Paragraph 1.3.2.1)*

- The "development of potential farming area scheme" registered poor performance due to improper assessment of potential area for aquaculture farming and non-processing of available application from the beneficiaries.

*(Paragraph 1.3.3.2)*

- The objectives of the MOU signed with Swiss Import Promotion Programme to develop Organic Aquaculture were also not achieved despite incurring an expenditure of ₹ 65.62 lakh on consultancy alone

*(Paragraph 1.3.3.3)*

- Despite incurring huge amount on Culture Fisheries, the export of frozen shrimp which was the single largest item of export, constituting 59 per cent in the total export value in 2005-06, had gradually decreased to 41.62 per cent in 2009-10.

*(Paragraph 1.3.3.7)*

- Although there was a budget allotment of ₹ 11.77 crore for Technology Up-gradation scheme for Marine Products" during the three years ending 2009-10, subsidy amounting to ₹ 1.48 crore was provided only to three beneficiaries during 2009-10 as there was no applicant during 2007-08 and 2008-09. Thus the balance budget of ₹ 10.29 crore remained un-utilized.

*(Paragraph 1.3.4.2)*

- **Regulatory functions of the Authority were neither appropriate nor effective.**

*(Paragraph 1.3.7)*

### *Summary of Recommendations*

- *The Ministry/Authority should address the risk of misuse of financial assistance adequately while formulating the schemes.*
- *The authority should ensure quality of marine products as per the standards of importing countries.*
- *The authority should take adequate measures for conservation of marine resources.*
- *Monitoring mechanism of the performance of outsourced quality certification laboratories needs strengthening.*
- *The Ministry/Authority may consider replacing the periodical assessment of progress with periodic visits to the premises of the beneficiary to assess the beneficiary-wise impact of schemes.*

## **1.1 Introduction**

The Marine Products Export Development Authority (Authority) with its Head office at Kochi, Kerala under Government of India, Ministry of Commerce and Industry, is a statutory body constituted under the Marine Products Export Development Authority Act 1972 (No. 13 of 1972). The functions of the authority are to promote and develop quality of Marine products specifically for exports through disbursement of subsidies. The authority has formulated 58 sub schemes under six major heads namely marketing, capture fisheries, culture fisheries, processing infrastructure & value addition, quality control and research and development.

### **1.1.1 Objectives of the Authority**

The Authority is entrusted with the primary task of promoting and developing marine products industry with special reference to exports. In order to achieve the primary objective the Authority is required to undertake the following measures:

- to develop and regulate deep sea and off shore fishing and undertake measures for Conservation of marine resources;
- to register fishing vessels, Processing plants, Storage plants etc.;
- to render financial or other assistance to the owners of (i) fishing vessels engaged in off-shore and deep-sea fishing and (ii) processing plants or storage premises for marine products and conveyances used for the transport of marine products;
- to carry out inspection in any fishing vessel, processing plant etc.; and

- to collect statistics from persons engaged in catching of fish or other marine products, owners of processing plants, storage premises etc.

### 1.1.2 Organisational set up

The Authority consists of a Chairman, one Director appointed by the Central Government and 28 Members nominated by the Government of India (GoI).

The Authority has six Regional offices<sup>1</sup>, six Sub-Regional Offices<sup>2</sup>, six Regional centers<sup>3</sup>, four Sub Regional centers<sup>4</sup>, one Rajiv Gandhi Centre for Aquaculture (RGCA) in Tamil Nadu, National Residue Control Programme through its laboratories at Kochi, Nellore and Bhimavaram, a Liquid Chromatography (Dual) Mass Spectrometer (LCMSMS) Laboratory at Bhubaneswar, six ELISA test laboratories<sup>5</sup> in Andhra Pradesh and three Trade Promotion Offices at Tokyo, New York and New Delhi.

### 1.1.3 Export of marine products

Overall export of marine products from India is given in table-1.

**Table-1**

*(in Metric Tonnes)*

Items exported	2005-06	2006-07	2007-08	2008-09	2009-10
Frozen shrimp	145180	137397	136223	126042	130553
Frozen fish	182344	270751	220200	238543	260979
Frozen Cuttle fish	49651	55701	45955	50698	63504
Frozen Squid	52352	47252	34172	57125	61445
Dried item	14167	24293	22414	31688	47053
Live items	2568	2478	2498	3434	5492
Chilled items	5060	7200	6541	21453	28817
Others	60841	67571	73698	73851	80592
<b>Total</b>	<b>512164</b>	<b>612641</b>	<b>541701</b>	<b>602835</b>	<b>678435</b>

### 1.1.4 Financial Position

The authority is fully funded by the Government of India. The grants received and the expenditure there against is given in table-2.

<sup>1</sup> (Veraval, Mumbai, Kochi, Chennai, Vizag, Kolkata)

<sup>2</sup> (Panaji, Mangalore, Kollam, Tuticorin, Bhubaneswar, and Guwahati)

<sup>3</sup> (Valsad, Paniel, Kochi, Thanjavur, Vijayawada, Bhubaneswar)

<sup>4</sup> (Karwar, Kolkata, Bhimavaram and Kannur)

<sup>5</sup> Nellore, Bapatla, Ongole, Amalapuram, Bhimavaram and Kakinada.

Table-2

(₹ in crore)

Year	Receipts				Expenditure			Excess (+)/Savings (-) over receipts
	Plan	Non-Plan	Internal receipts	Total	Plan	Non-Plan	Total	
2005-06	47.38	3.12	1.27	51.77	50.73	5.06	55.79	(+) 4.02
2006-07	46.41	3.80	1.25	51.46	39.18	14.08	53.26	(+) 1.80
2007-08	76.08	3.79	2.12	81.99	64.62	25.29	89.91	(+) 7.92
2008-09	84.32	3.11	2.10	89.53	66.36	29.48	95.84	(+) 6.31
2009-10	86.13	4.71	3.41	94.25	66.20	27.30	93.50	(-) 0.75

## 1.2 Audit Approach

The audit of the authority is conducted under section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with section 19(2) of MPEDA Act 1972.

### 1.2.1 Scope of Audit

The performance audit covers 18 out of 58 sub-schemes categorized under six major schemes<sup>6</sup> during the period from 2005-06 to 2009-10.

### 1.2.2 Audit Objectives

The performance audit of the authority was conducted to assess whether:

- the planning, formulation and implementation of financial assistance schemes were carried out properly and efficiently;
- there was adequate post disbursement monitoring mechanism to prevent misuse of the assets created through schemes;
- there was effective quality control to ensure quality of exports of marine products as per the standards of the importing countries; and
- the authority has performed its regulatory functions effectively and efficiently.

### 1.2.3 Audit criteria

The following audit criteria were used in this performance audit:

- The MPEDA Act, 1972

<sup>6</sup> 1- Market Promotion, 2- Capture Fisheries, 3- Culture Fisheries, 4- Processing Infrastructure & Value addition, 5- Quality Control, and 6- Research and Development.

- MPEDA Rules and scheme guidelines;
- Directions of the Ministry of Commerce and Industries and Coastal Aquaculture Authority; and
- Five year project plan/Annual plan.

#### **1.2.4. Audit Methodology**

The performance audit commenced with an entry conference with the authority in July 2010 wherein the audit scope, objectives, criteria and methodology were explained. The records relating to implementation of selected sub-schemes in the Head Office, Regional Offices and Regional Centers including Sub Regional Offices and Sub Regional Centers, in the States of Kerala, Tamil Nadu, Maharashtra and Gujarat were examined. Questionnaire was issued to 153 beneficiaries to ascertain their views and results thereof have been incorporated in the report. Stratified random sampling was adopted in selection of regional offices and centers.

The draft performance audit report was issued to the Ministry, with a copy to the authority in April 2011. An exit conference was held with the Director (Marketing) on 10 May 2011 to discuss the main audit findings and recommendations. The response of the authority has been suitably incorporated in the report.

### **1.3 Audit findings**

#### **1.3.1 Market promotion**

Under 11<sup>th</sup> Five Year Plan the authority introduced in September 2009, a scheme 'Sea freight assistance' for increasing export of value added marine products and for making India a seafood processing hub as a measure of market promotion. The scheme envisaged assistance of freight differential to the seafood entrepreneurs for import of raw materials for processing and export of specified value added products. The scheme also envisaged assistance for export of value added products for which raw material has been sourced indigenously.

As per the Plan targets, a sum of ₹ 42.50 crore was envisaged for the year 2007-08 to 2009-10 for sea freight assistance for importing 3300 containers load of raw material for processing and re-export of 47000 MT (approximately) of value added products by the end of I<sup>st</sup> year of the scheme. It was, however, noticed that against the above allocation, a sum of ₹ 3.00 crore only was released towards this scheme during the period 2008-09 and 2009-10 as detailed in table-3.

Table-3

(₹ in crore)

Year	Funds allotted	Expenditure	Excess(+)/ Savings (-)	Target	Achievement
2008-09	1.50	--	(-) 1.50	-	Nil
2009-10	1.50	1.97	(+) 0.47	-	560 cases
<b>Total</b>	<b>3.00</b>	<b>1.97</b>	<b>(-) 1.03</b>		

It may be seen that though a sum of ₹ 1.50 crore was released during 2008-09 but no subsidy was disbursed whereas during the year 2009-10 ₹ 1.97 crore was disbursed to 560 beneficiaries leaving a total unutilized grant of ₹ 1.03 crore. Reasons for non-releasing the targeted amount and the poor performance of the scheme were not recorded. The authority has, also not devised any mechanism to ascertain the increase in exports due to disbursement of financial assistance under this scheme.

The authority replied (July 2011) that norms for import of raw material stipulated by the Ministry were stringent which hampered the objectives of imports and assistance scheme which reflected in lower imports. The reply is an afterthought as nothing in this regard was available on record. Furthermore, stringent norms may be essential for ensuring quality of exports as per European Union (EU) norms.

### 1.3.2 Capture fisheries

Marine fisheries face serious threats to its conservation and sustainability due to over-fishing (fishes are caught faster than they can reproduce), by-catch (marine life caught that was not targeted), destructive fishing (use of poison and explosives) and marine pollution. Details indicating amount allotted for conservation of marine resources vis-à-vis expenditure etc. are given in table-4.

Table -4

(₹ in lakh)

Year	Amount allotted	Expenditure	Saving/Excess (+/-)	Target fixed	Achievement
2005-06	20.00	2.01	(+) 17.99	-	-
2006-07	07.00	12.04	(-) 5.04	-	-
2007-08	15.00	-	(+) 15.00	-	-
2008-09	10.00	-	(+) 10.00	-	-
2009-10	30.00	34.06	(-) 4.06	-	-
<b>Total</b>	<b>82.00</b>	<b>48.11</b>	<b>(+) 33.89</b>		

The authority to undertake measures for conservation of off shore and deep sea fisheries provided ₹ 55 lakh in the budget during 2007-08 to 2009-10. Audit observed that the authority had not identified specific measures to be taken under the scheme for conservation of marine resources, but utilized ₹ 34 lakh during 2009-10 towards establishment cost in 21 field offices for issuing catch certificates which was not directly related to the conservation measures.

It was observed that the authority took this measure under the EU regulation 1005/2008 with an intention to facilitate exports.

The authority replied that the very purpose of the catch certification scheme was to prevent, deter and eliminate illegal, unreported and unregulated fishing as a conservative measure.

### 1.3.2.1 Subsidy for conversion of vessels to tuna long liners

The authority realizing that the estimated potential oceanic tuna (231000MT) in the Indian Exclusive Economic Zone (EEZ) was not adequately tapped due to lack of proper tuna fishing technology, implemented (2006-07) a scheme to modify fishing vessels to Tuna long liners. The authority allocated ₹ 40 crore during the 11<sup>th</sup> Five year plan with a target to modify 900 vessels into tuna long liners by the year 2010 to achieve additional production of 90,000 MT of Tuna with an export value of US \$ 500 million. The subsidy was fixed at 50 percent of the total cost of modification subject to a maximum of ₹ 15 lakh for deep sea fishing vessel and ₹ 7.50 lakh for mechanized fishing vessel. Details of physical and financial targets and achievement their against is given in table-5.

**Table-5**

(₹ in crore)

Year	Number of vessels converted into tuna long liners					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2006-07	Nil	6.00	42	0.44	(+)42	(+)5.56
2007-08	90	4.50	47	2.37	(-)43	(+)2.13
2008-09	150	6.00	135	5.68	(-)15	(+)0.32
2009-10	110	5.50	163	6.79	(+)53	(-)1.29
<b>Total</b>	<b>350</b>	<b>22.00</b>	<b>387</b>	<b>15.28</b>	<b>(+)37</b>	<b>(+)6.72</b>

It was observed that the production of Tuna has declined from 37000 tons during 2007-08 to 22000 tons during 2009-10. This indicated that massive amount of ₹ 14.84 crore paid as subsidy to 345 boat owners has not been effectively utilized for the intended objective.

The authority replied (May 2011) that as the oceanic tuna is highly migratory in nature availability of tuna in a particular area cannot be assessed.

To monitor the impact of financial assistance, it was prescribed that the beneficiaries would submit periodical reports about their performance. The disbursement of subsidy was not followed by a periodical report monitoring exercise to verify whether the original beneficiaries had sold off their vessels. The authority has further stated (July 2011) that the field offices would be instructed to undertake physical verification of all assisted vessels to ensure the ownership of the vessels and collect voyage report.

### **1.3.2.2 Misuse of subsidy**

It was seen that seven vessels (Andhra Pradesh) which were provided subsidy under the scheme of conversion of vessels to tuna long liners had dismantled the tuna gear and sold the same in the market. Further the vessels were not involved in tuna fishing but were deployed on charter as a chase boat to the foreign seismic companies.

The authority should have insisted upon hypothecation/pledge of the equipments/facilities for which subsidy was given. The authority replied (July 2011) that it had taken up the issue with the concerned office for corrective action. Hypothecation/pledge of the equipments/facilities would be considered by the authority.

### **1.3.2.3 Release of Subsidy without executing necessary bond**

As per the practice in vogue the beneficiaries were required to execute a bond for availing subsidy under any of the scheme of the authority. The bond is a tool to ascertain the bonafide of the beneficiary and also a commitment by the beneficiary to remain in business during the bond period. It was observed that during 2008-09 and 2009-10 subsidy of ₹ 72.59 lakh was paid to 20 beneficiaries under the scheme of 'Capture Fisheries' without executing the necessary bonds.

The Authority replied (May 2011) that copies of agreements collected from the beneficiaries would be furnished to audit for verification, but the same were not furnished. In the absence of the requisite records, audit was unable to ascertain whether the concerned beneficiaries continued with their business after availing the subsidy and the intended purpose of subsidy was achieved or not.

### **1.3.2.4 Furnishing of periodical reports.**

The Pre Processing Centers were required to furnish half yearly statements showing details of production, export, value addition achieved to the authority. The beneficiaries of Capture Fisheries scheme were required to furnish a monthly voyage report showing item wise and quantity wise details of catches and details of persons/units to whom these catches were sold. Catch details and the details of quantities of tuna, shrimp, scampi etc, procured by processing plants and quantities processed by them for export were required to be furnished by the beneficiaries.

It was observed that stipulation of such a procedure would have been appropriate in the case of a large industrial house which has a huge complement of staff to comply with this requirement. But, for the category of beneficiaries financed by the authority, this approach of prescribing submission of periodical reports by them was totally inappropriate. Instead periodical visits to the premises/vessels of beneficiaries covered under the



various schemes should be made to verify the progress of the schemes with the beneficiaries.

### **Recommendations**

- *The authority should take adequate measures for conservation of marine resources.*
- *The Ministry/Authority should address the risk of misuse of financial assistance adequately while formulating the schemes.*

### **1.3.3 Culture Fisheries**

#### **1.3.3.1 Financial assistance to Commercial Hatcheries.**

As per the projections of increase in demand of total consumption of seafood, it was assumed that the world capture fisheries would stagnate during the next three decades and it was projected that the future demand would then be met through culture fisheries (aquaculture production). As per projections, 40 per cent of world's production of fish would come from aquaculture by the year 2020. In order to promote aquaculture, promotion of commercial hatcheries for seed production of exportable species was necessary to ensure supply of adequate quantity of good quality of disease free seeds (shrimp and scampi) on a commercial basis. Accordingly, the authority introduced in 1990-91 financial assistance scheme to commercial hatcheries. The details of physical, financial targets of the scheme and achievement there against during the period of report is given in table-6.

**Table-6**

(₹ in lakh)

Year	Number of Commercial Hatcheries					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2005-06	14	60.00	5	27.00	(+) 9	(+)33.00
2006-07	15	69.00	8	39.00	(+) 7	(+) 30.00
2007-08	10	44.00	5	27.46	(+) 5	(+) 16.54
2008-09	03	20.00	2	10.94	(+)1	(+) 9.06
2009-10	03	18.00	1	06.00	(+)2	(+) 12.00
<b>Total</b>	<b>45</b>	<b>211.00</b>	<b>21</b>	<b>110.40</b>	<b>(+24)</b>	<b>(+)100.60</b>

It may be seen that the authority could not achieve the targets in any of the years during the last five years ending March 2010 due to which the grants to the extent of ₹ one crore remained unutilized at the end of the period of report and only 21 hatcheries had come up against the target of 45 during the above period. It was observed that no hatchery was developed in Maharashtra whereas one hatchery against the target of 11 was developed in Gujarat State.

The authority stated (July 2011) that more hatcheries in the State would come only if more farms came in the State, which could occur if the State

Governments took steps for speedy leasing of potential lands to the farmers. The authority also stated that its efforts to promote more hatcheries with increased subsidy failed as the State Government's scheme had assistance package of ₹ 35 lakh. It was observed that these facts were known to the authority and these should have been considered *ab initio* at the time of formulating the scheme for these two States.

### 1.3.3.2 Scheme for development of potential farming area

A financial assistance scheme for development of new shrimp and scampi farms in the under-developed potential farming areas was operative since 1985-86. Physical and financial targets and achievement there against during the reporting period is given in table-7.

**Table-7**

(₹ in lakh)

Year	Number of Farmers/Farms					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2005-06	200	80.00	123	126.80	(+) 77	(-) 46.80
2006-07	150	75.00	135	74.02	(+) 15	(+) 0.98
2007-08	200	100.00	64	46.42	(+) 136	(+) 53.58
2008-09	150	75.00	49	20.20	(+) 101	(+) 54.80
2009-10	30	15.00	27	14.19	(+) 3	(+) 0.81
<b>Total</b>	<b>730</b>	<b>345.00</b>	<b>398</b>	<b>281.63</b>	<b>(+) 332</b>	<b>(+) 63.37</b>

It may be seen that though a sum of ₹ 3.45 crore was released for providing financial assistance to 730 beneficiaries' under the scheme during the period of report but subsidy to the extent of ₹ 2.82 crore was disbursed to 398 beneficiaries only leaving a total unutilized grant of ₹ 63.37 lakh. It has further been observed that in the year 2005-06 though the physical achievement was lower by 77 beneficiaries but achievement in financial terms exceeded by ₹ 46.80 lakh over the targets. Reasons for non-incurring the targeted amount and the poor performance of the scheme were improper assessment of potential area for aquaculture farming and non-processing of available applications from the beneficiaries as has been discussed in the subsequent paragraphs.

#### (A) Improper assessment of the area for setting up aquaculture farms

During a survey carried out in 1989-90 an area of 56620 hectare was identified as potential area for aquaculture farming in Tamil Nadu out of which 4994.58 ha was developed as water spread area<sup>7</sup>. It was, however, observed that of the total watershed area available, an area of 3644.32 ha, 2421.32 ha, 1819.84 ha, 1759.09 ha and 1445.89 ha was brought under aquaculture during the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively. Accordingly,

<sup>7</sup> Where cultivation of shrimp can be done.

production was also reduced from 7026.97 MT in the year 2005-06 to 2702.38 MT in the year 2009-10.

Regarding non development of potential area the authority replied (May 2011) that out of 56620 ha (1989-90 survey), 40 *per cent* area was not approved for setting up farms as this land was under Coastal Regulatory Zone; 30 *per cent* belonged to the State Government and any further progress in shrimp farming was possible only if the land was allotted by the State Government. The reply indicates improper assessment of the area for setting up of aqua farms.

### **(B) Non-processing of applications**

Of 240 applications received (Tamil Nadu) for a cultivable area of 588.54 ha during 2008-09 and 2009-10, 100 applications with a cultivable area of 330.52 ha were not processed resulting in non development of new farms to that extent.

The Authority replied (May 2011) that the applications could not be processed due to non availability of technical officer for conducting physical survey of the farms. The reply is an admittance of failure on the part of the management.

Both the above audit observations were later on noted for taking necessary measures by the authority in their reply of July 2011.

#### **1.3.3.3 Scheme to develop Organic Aquaculture**

In order to meet the growing demand for safe aquaculture products, certified to be free from residue, the authority introduced a scheme 'India Organic Aquaculture Project' (IOAP) in April 2007 with the technical assistance from the consultancy Swiss Import Promotion Programme (SIPPO) at organic culturing of Black tiger shrimp and scampi, as the scientific shrimp farming continued to raise controversies over environmental and social impacts, food safety issues etc. As per guidelines, a beneficiary can avail subsidy for a maximum of six ha at the rate of ₹ 25000 per ha (upper limit). For the purpose of implementation of the scheme, the authority entered into a Memorandum of Understanding (MOU) in January 2007 with the SIPPO stipulating the following objectives:

- Evaluate an applicable production system, search for suitable production areas and guarantee successful implementation of this production method on hatchery, farm, feed mill and processing level, including the support for the set up of demonstration farms.
- Support the Indian Aquaculture and Marine product industry in developing new export opportunities with special focus on premium seafood markets in Switzerland and the European Union.
- Promote the idea of Organic Aquaculture in India to support the development into an ecological friendly, social responsible and strong economical production sector.

- Within three years 1500 aqua farms were to be organically certified, in addition, at least one feed mill and one processing plant. The total volume of organic shrimp was to exceed 1000 tons.

It was observed that for technical consultancy of the project, an amount of ₹ 1.05 crore was allocated out of which ₹ 65.62 lakh was incurred towards consultancy from SIPPO during 2007-08 to 2009-10.

Targets and achievements of the scheme during the last three years ending March 2010 are given in table-8.

**Table-8**

(₹ in lakh)

Year	Number of Organic Farmers/Farms						
	Targets		Achievements		Savings(+)/Excess (-)		
	Physical	Financial	Physical	Financial	Physical	Financial	
2007-08 to 2009-10	Within three years 1500 beneficiaries	95 lakh allotted from 2007-08 to 2012	2008-09-2 2009-10-2	4 nos (0.27%)	2008-09 - 0.92 2009-10- 4.47		
<b>Total</b>	<b>1500</b>	<b>95</b>	<b>4 beneficiaries</b>		<b>5.39</b>	<b>(+)1496</b>	<b>(+)89.61</b>

A critical analysis of performance of the scheme *vis-a-vis* objectives of the MOU, revealed that against the targets of 1500 beneficiaries envisaged in the MOU, only four beneficiaries were provided with ₹ 5.39 lakh during the three years 2007-08 to 2009-10. This indicated that the objectives of the MOU were not achieved despite incurring an expenditure of ₹ 65.62 lakh on consultancy alone.

The authority accepted the observation and stated (July 2011) that it had made only a small beginning with the introduction of IOAP and with the experience gained an action plan has been formulated to plan the future development of organic farming in India.

### 1.3.3.4 Scheme for promotion of Aquaculture Societies

The authority introduced a scheme in 2006-07 for promotion of 'aquaculture societies' with the objective to encourage group of shrimp farmers for the formation of societies enabling aquaculture sector to adopt Good Aquaculture Practices (GAP) to ensure long term sustainability. Under this scheme 50 *per cent* of the total cost subject to a maximum of ₹ 5 lakh was to be paid to each society in seven installments. The scheme, however, did not prescribe the items of expenditure eligible for subsidy. Targets and achievements of the scheme during the last four years ending March 2010 are given in table-9.

Table-9

(*₹ in lakh*)

Year	Number of Aqua culture societies					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2006-07	28	No target Fixed	4	2.00	(+) 24	-
2007-08	74		4	2.00	(+) 70	-
2008-09	63		76	38.00	(-) 13	-
2009-10	110		70 + 3*	35.00 + 2.05	(+) 40	-
<b>Total</b>	<b>275</b>		<b>154 + 3</b>	<b>77.00 + 2.05</b>	<b>(+)121</b>	<b>-</b>

\*(Second installment in italics)

It may be seen that 154 societies obtained assistance of ₹ 50 thousand each without indicating the items of expenditure as an initial start up during the period 2006-07 to 2009-10 upon provisional registration with the authority. There was no assurance whether the total disbursed amount of ₹ 77 lakh was utilized by the beneficiaries for the intended purpose. The second and subsequent releases of subsidy were to be given on the basis of passing the Code of Practices (CoP) audit and grant of permanent registration by the authority. It was observed that out of 154 Societies provisionally registered, only three turned up for second installment (₹ 50 thousand for setting up offices/ warehouses/ auction hall/ common facility). It was, further, noticed that against the maximum of ₹ 1.50 lakh (at the rate of maximum of ₹ 50 thousand each), the authority disbursed an amount of ₹ 2.05 lakh in deviation of scheme guidelines.

The authority, while accepting the audit observation, stated (May 2011) that there was some delay in adopting the necessary technical steps by all farmers in their farming practices to pass CoP audit resulting in delay in registration and release of second and subsequent installments. The required procedures for carrying out CoP Audit have since been formulated and there was an increase of 17.36 *per cent* in production during the year 2009-10.

### 1.3.3.5 Preparation of digital database on aquaculture farms

The Authority felt the need for digitalized data of shrimp and scampi aqua farms in the eight maritime States of India for traceability of the products by the importing countries and to plan its own schemes. The authority proposed to complete the mapping of three Regions (Andhra Pradesh, Gujarat & Maharashtra) during 2007-08 and the remaining five regions (Karnataka including Goa, Kerala, Tamil Nadu, Orissa and West Bengal) during 2008-09 with the assistance from the respective State Remote Sensing Application Centre (SRSAC). The data from various States was to be incorporated in a centralized Geographical Information System (GIS) at Head Office to be used for various applications like estimates of production, ensuring traceability of products etc using MIS.

It was seen that out of the total financial outlay of ₹ 4.20 crore, the work of onscreen mapping, cadastral maps from survey and land records, output generation etc. was awarded to the State Remote Sensing Agencies of six States at total consultancy charges of ₹ 2.61 crore. It was observed that even after spending ₹ 2.09 crore, on this work during the years 2007-08 to 2009-10 the data collection was yet to be completed in all the States. The relevance of digitalized data to promote export was not clear.

The Authority stated (May/July 2011) that in Geographical Information System (GIS) the sourcing of data, digitalization and ensuring accuracy of the data is time consuming; the time frames for completion of the works were fixed without having prior experience in developing digitalized database. The authority also stated that the data developed has no direct implication on exports and are not meant for verifying exports directly. The reply is not in consonance with the objectives of the scheme.

### 1.3.3.6 Subsidy for Ornamental Fish Breeding Units

India's share in ornamental fish trade is negligible. It is confined to wild caught species. The Authority launched (January 2008) a scheme for providing subsidy for establishment of Ornamental Fish Breeding Units (OFBU) and marketing societies to generate export oriented employment and to provide infrastructure facilities for rearing ornamental fish. This scheme was aimed at promoting breeding exotic species and targets vis-à-vis achievement thereof in physical and financial terms is given in table-10.

**Table-10**

(₹ in crore)

Year	Number of ornamental units					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial allocation	Physical	Financial	Physical	Financial
2007-08	--	1.12	84	1.24		(-)0.12
2008-09	--	3.00	132	3.60		(-)0.60
2009-10	--	3.20	120	4.14		(-)0.94
<b>Total</b>	<b>--</b>	<b>7.32</b>	<b>336</b>	<b>8.98</b>		<b>(-)1.66</b>

Subsidy amounting to ₹ 8.98 crore was released to 336 beneficiaries against the target of ₹ 7.32 crore during 2007-08 to 2009-10. It was observed in 81 out of 336 cases that none of these beneficiaries were engaged in rearing and export of exotic species of ornamental fishes but culturing common species in the breeding units for sale in the local market.

The authority stated (May/July 2011) that lack of bulk supply of high quality fishes was the main reason for the poor performance of India in the international trade of ornamental fishes. As it was not capturing export data separately for captured and cultured ornamental fishes, the impact of setting up of OFBUs with the authority's assistance could not be ascertained.

However, steps would be initiated for capturing separate data for wild caught and cultured varieties soon.

The reply is not acceptable. There is no assurance that the massive amount of ₹ 8.98 crore released was effectively utilized for breeding of ornamental fish. Further, there was no mechanism in place other than legal route to ensure that the money would be collected back from the beneficiaries who did not utilize the money for rearing and export of ornamental fishes.

### **1.3.3.7 Impact of Culture fisheries on export of shrimps**

Despite incurring huge amount on Culture Fisheries, it was seen that frozen shrimp was the single largest item of export, constituting 59 *per cent* in the total export value in 2005-06, had gradually decreased to 41.62 *per cent* in 2009-10. The decline in export was in spite of an increase in productivity from 69.90 MT per Ha during 2008-09 to 93.80 MT per Ha during 2009-10 of shrimp per hectare.

It was also observed that even after spending an amount of ₹ 37.70 crore towards subsidy for promotion of Aquaculture/shrimp production and exports during the first three years of the 11<sup>th</sup> Five Year plan, the export actually decreased to 62 *per cent* during 2009-10 from 76 *per cent* during 2006-07 rendering the subsidy scheme ineffective in contributing to exports.

While accepting the decrease in percentage value of exports, the authority stated (May 2011) that the decrease was likely due to combination of multiple factors like stiff competition from the Pacific white shrimp *L.Vennamei* available in lower prices, increasing cost of production, enforcing of stringent stipulation on the quality of the imported seafood by major countries, lack of financial support and insurance coverage to the small and marginal farmers against natural calamities, demand in the domestic market at reasonable prices and economic recession in major importing countries. It was also stated that reasons for the decrease are identified and efforts are being taken to improve the aquaculture production.

## **1.3.4 Processing Infrastructure & Value addition**

### **1.3.4.1 Subsidy for Acquisition of Processing Machinery**

The scheme for subsidy for Acquisition of Processing Machinery with the objective to assist sea food processors to acquire 'Individually Quick Frozen', machinery for production of value added sea food and thereby increase the exports by the beneficiary was introduced in January 1998. However there was no stipulation with regard to quantum of exports to be achieved during the bond period of three years. A detail of targets and achievements under the scheme is given in table-11.

Table-11

(₹ in crore)

Year	Number of A.P.M Beneficiaries					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2006-07	19	2.20	29	3.24	(-) 10	(-)1.04
2007-08	41	5.83	35	3.74	(+) 6	(+)2.09
2008-09	60	7.11	63	6.59	(+) 17	(+)0.52
2009-10	--	--	07	1.05	(-) 7	(-)1.05
<b>Total</b>	<b>120</b>	<b>15.14</b>	<b>134</b>	<b>14.62</b>	<b>(+) 6</b>	<b>(+)0.52</b>

Though, under this scheme the achievement was quite satisfactory, the authority should have devised a mechanism to ascertain the increase in export of value added sea food products by the beneficiaries under the scheme.

### 1.3.4.2 Technology up gradation Scheme for Marine Products (TUSMP)

Export of value added products requires state-of-art technology in production/processing/ packaging, warehousing and transportation. In order to address these issues, the Authority introduced 'Technology Up-gradation Scheme for Marine Products' (TUSMP) in April 2008 to increase the export of value added products from existing five *per cent* (2008-09) to 75 *per cent* in 2012 by providing subsidy to exporters for setting up new units, to expand the existing production capacity and to diversify to value added products.

The scheme provided interest subsidy (five *per cent* subject to a maximum of ₹ 1.50 crore) or a capital subsidy (@ 25 *per cent* of the capital cost subject to a maximum of ₹ one crore). Capital subsidy is further subject to production of bank guarantee for 50 *per cent* of eligible subsidy valid for a period of seven years and an annual export obligation ranging from ₹ 8 crore to ₹ 20 crore per beneficiary. Details of targets and achievements in physical and financial terms are given in table-12.

Table-12

(₹ in crore)

Year	Number of Beneficiaries					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2007-08	2	1.50	--	--	(+)2	(+)1.50
2008-09	16	3.71	--	--	(+)16	(+)3.71
2009-10	16	6.56	3	1.48	(+)13	(+)5.08
<b>Total</b>	<b>34</b>	<b>11.77</b>	<b>3</b>	<b>1.48</b>	<b>(+)31</b>	<b>(+)10.29</b>

Although there was a budget allotment of ₹ 11.77 crore during the three years ending 2009-10, subsidy was not released during 2007-08 and 2008-09 as there were no applicants and in 2009-10 three beneficiaries were provided subsidy of ₹ 1.48 crore leaving the balance of ₹ 10.29 crore unutilized. The main reason for the poor performance of the scheme as attributed by the Management was the high export obligation and high percentage of bank guarantee required under the scheme.



The Authority stated (May/July 2011) that after revising the export obligation and the bank guarantee limits during the year 2010-11, the scheme has not only picked up but also became reasonable and practicable enough to exercise the necessary controls on the scheme to fulfill its objective.

### **Recommendation**

- *The Authority should fix achievable realistic targets while formulating the schemes.*

#### **1.3.4.3 Scheme to create basic facilities for Chilled Fish/Tuna**

In order to boost the export of chilled fish items and to earn valuable foreign exchange, the authority introduced (August 2008) a scheme of financial assistance for creation of new basic facilities for chilled fish/chilled tuna for export of chilled fish handling and packing (tuna and others). The subsidy was fixed at one third of the capital cost subject to a maximum of ₹ 35 lakh. Targets and achievements of the scheme during the period since inception to March 2010 are given in table-13.

**Table-13**

(₹ in lakh)

Year	Number of Beneficiaries					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical as per scheme outlay	Financial	Physical	Financial	Physical	Financial
2008-09	4	40.00	1	18.02	(+)3	(+)21.98
2009-10	4	100.00	-	0.74	(+)4	(+)99.26
<b>Total</b>	<b>8</b>	<b>140.00</b>	<b>1</b>	<b>18.76</b>	<b>(+)7</b>	<b>(+)121.24</b>

It was observed that while formulating the scheme the authority has not conducted any survey among the targeted beneficiaries to ascertain their requirement for creation of exclusive chilled fish handling and packing facility and their investment potential. As a result, the authority could provide subsidy to only one beneficiary during the aforesaid period against the target of eight beneficiaries.

The authority replied (May 2011) that most of the fresh/chilled fish exporters were from small scale sector; due to high investment on land and other establishment expenditure, they were not able to set up an exclusive facility for Chilled Fish Handling Centre and preferred to pack at existing Handling/freezing plants. This indicated that modalities of the scheme were finalized without ascertaining the viability among the intended beneficiaries.

### **1.3.5 Quality Control**

#### **1.3.5.1 Installation of Effluent Treatment Plants in Pre Processing Centers**

In order to adhere to the quality assurance system of European Union and United States – to handle seafood in hygienic condition at every stage, and to upgrade the facilities of the Pre Processing Centres (PPC) on par with Hazard Analysis and Critical Control Point (HACCP)/EU regulations a subsidy

scheme for establishment of Effluent Treatment Plant (ETP) and Water Purification System (WPS) in the PPC was implemented by authority. Targets and achievements in physical and financial terms are given in table-14.

**Table-14**

(₹ in crore)

Year	Number of units					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2005-06	No target	3.78	60	9.31		(-) 5.53
2006-07		6.64	53	6.78		(-) 0.14
2007-08		3.66	52	5.95		(-) 2.29
2008-09		4.86	67	5.08		(-) 0.22
2009-10		1.33	19	1.77		(-) 0.44
<b>Total</b>		<b>20.27</b>	<b>251</b>	<b>28.89</b>		<b>(-) 8.62</b>

(2005-06 & 2006-07 separate schemes, from 2007-08 coming under sub heading Quality up-gradation)

In 44 out of 251 test-checked cases it was found that none of them installed ETP and WPS in their PPC. This resulted in usage of unpurified water for processing and not adhering to the quality assurance parameters.

The authority stated (May 2011) that the eligibility for subsidy is only registration with the authority and if the PPC is registered with the authority it implied that the water used in the PPC is potable; and the owners were to submit water test reports indicating that water was suitable for peeling activities. The reply indicated that the authority had diluted the standards by accepting usage of unpurified water instead of insisting on establishing WPS as per HACCP/EU regulations.

Further, the bond executed by the beneficiary stipulated that if the unit kept idle regularly for more than 45 days the beneficiary should repay the entire amount of subsidy along with interest.

It was seen that (Regional Office, Chennai) one unit to whom subsidy amounting to ₹ 14.95 lakh was paid for captive PPC stopped production in October 2008. Similarly in Maharashtra one unit to whom subsidy of ₹ 2.65 lakh was granted for up-gradation of cold storage went out of production since 2008. Further, subsidy amounting to ₹ 9.10 lakh paid to one firm (The Regional Office, Veraval) for installation of captive PPC has not been recovered even though the Export Inspection Agency approval given to the firm was withdrawn with effect from May 2003.

When non-recovery of subsidy was brought to the notice of the authority in December 2010, it was replied that the party had suddenly vanished from the business from the said premises, all office correspondence has been returned and moreover during physical verifications the owner could not be traced out.

The reply is not acceptable. The pre-disbursement verification to weed out non bonafide parties was not done properly. Further adequate safe guards like

hypothecation/pledge of the facility should have been put in place to prevent sale of assets.

### 1.3.5.2 Establishing Effluent Treatment System in commercial hatchery

To adhere to the EU norms for export of marine products especially shrimps, the authority realized the necessity for establishment of Effluent Treatment System (ETS) in hatcheries and aqua farms. The Coastal Aquaculture Authority (CAA) stipulated that grant of permanent registration by the authority to the aqua farms with water spread area above five ha should be subject to establishment of ETS to control environmental pollution.

Accordingly, the Authority stipulated that provisional registration to aqua farms would be given for one year and permanent registration would be given only after ensuring establishment of ETS facilities. It was seen that the authority could assist establishment of only 37 ETS during the period 2005-06 to 2009-10 as against a target of 106 as indicated in table-15.

**Table-15**

(₹ in lakh)

Year	Number of units					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2005-06	39 units	60.00	15 units	18.48	(+) 24	(+)41.52
2006-07	34 units	51.00	5 units	6.71	(+) 29	(+)44.29
2007-08	10 units	15.00	Nil	Nil	(+) 10	(+)15.00
2008-09	1 unit	1.50	1 unit	1.34	--	(+)0.16
2009-10	22 units	32.89	16 units	21.33	(+) 6	(+)11.56
<b>Total</b>	<b>106 units</b>	<b>160.39</b>	<b>37 units</b>	<b>47.86</b>	<b>(+)69 units</b>	<b>(+)112.53</b>

It was observed that the shortfall in achievement of target was due to delay by the authority in finalizing the design and capacity of the ETS.

During a survey connected with GIS Mapping of Aqua farms in Andhra Pradesh the authority found that 1,20,000 aqua farms approximately were practicing shrimp and scampi farming and more than 99 *per cent* of the aqua farms were not having any ETS and are directly releasing the waste water from the ponds into the Canal/drain.

The Authority replied (May2011) that grant of permanent registration to aqua farms was under its consideration and it had approached the Indian Council of Agricultural Research to get suitable design of ETS. Moreover, efforts were being taken to create awareness among the hatchery operators also to establish ETS units.

It was further observed that the delay in taking decision regarding issue of permanent registration certificate and firming up the design of ETS before

implementation of the scheme adversely affected production as well as exports.

### 1.3.5.3 Establishment and operation of labs for quality certification

To contain the presence of banned antibiotics in the farmed shrimp and export rejection, all the processors were required to source aquaculture shrimp only after the same is subjected to screening tests. In order to facilitate pre harvest screening, the authority has set up (November 2007) six ELISA labs in Andhra Pradesh which is the major centre producing aquaculture shrimp. With the approval of GOI with a total outlay of ₹ 1.50 crore out of which ₹ 50 lakh was to be shared by Sea Food Export Association of India (SEAI). Details of physical and financial achievement against the targets are indicated in table-16.

**Table-16**

(₹ in lakh)

Year	Number of Elisa laboratories					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2007-08	6 labs	100				
2008-09			6	300	--	(-200)
2009-10	52000 samples to be tested annually by 6 labs		4/09 to 3/2010 reported 15304 samples only			

It was observed that since SEAI backed out of the scheme, the Authority established the six ELISA labs on its own incurring ₹ 3 crore against the initial budget of ₹ 1 crore. The operation and management of the labs was entrusted (January 2009) to M/s Sea lab, a private operator. The entrustment of testing to private operator was fraught with the risk since no budget is given for running costs towards staff, office expenses, chemicals etc, the operator may not use qualified staff and issue certificate without rigorous lab tests. No mechanism was put in place to address this risk.

The following were further observed:

- Blank Test certificates with the authority's hologram were provided by the authority for issue of test certificates by the private operator under his signature without verification by the authority.
- The agreement with Sea lab did not prescribe the required qualifications for the sea lab technicians for issue of test certificate rendering the tests to errors.
- The farmers were required to bring the samples to the lab along with proof of farm registration to obtain the test certificate instead of the lab staff were collecting the samples from the field. Thus neither the lab officials nor the officials of the authority verified the source of the samples before issue of test certificates.

- Technical accreditation was not obtained for these labs.

All the six ELISA labs together could analyze only 15304 samples against their capacity of 52000 samples during 2009-10. The Authority replied (May 2011) the utilization of capacity depended upon the number of registered farms which may vary.

Though the authority denied this in its reply, the facts remained that the Authority has not taken effective action in respect of said discrepancies on the ELISA labs. Resultantly the EU decided to scrutinize 20 *per cent* of the exports at random with effect from April 2010 due to repeated rejections of cultured scampi exported to the EU. Having outsourced the certification activity, the authority should have strengthened its monitoring mechanism of the labs to ensure the credibility of the tests as it has direct bearing on exports.

It was also seen that frozen shrimp was the single largest item of export constituting 59 *per cent* in the total export value in 2005-06. It had gradually decreased to 41.62 *per cent* during 2009-10. The export rejections due to contamination by antibiotic residues and farmers giving up shrimp farming due to occurrence of disease were the major reasons for the decline in export of shrimps.

#### 1.3.5.4 Development of landing centres (fishing harbours)

The Government of India approved (September 2008) a scheme of up gradation of 19 identified fishing harbours (landing centres) spread over six maritime States<sup>8</sup> for setting up of ice making machines and chill rooms for preservation of fish and fishery products at a total cost of ₹ 7.60 crore @ ₹ 40 lakh per harbour (₹ 30 lakh for equipments and ₹10 lakh for civil structure). The concerned State Governments were to provide basic infrastructure facilities like covered auction hall, uninterrupted power supply and sufficient potable water for producing ice.

It was observed that out of 19 harbours in six maritime States, the up gradation programme was completed only in two harbours in Karnataka. Work is in progress in three harbours in Kerala and the work has not commenced in the remaining 14 harbours located in four maritime states (Tamil Nadu, Andhra Pradesh, Gujarat and Goa). Further in Kerala the authority ordered for supply of equipment even before the infrastructure was in place, rendering the equipments valued at ₹ 79.65 lakh lying idle till date (May 2011).

The Authority replied (May/July 2011) that the matter is being pursued with the respective State Governments to expedite completion of the projects.

The reply is not acceptable as purchase of equipment should have been deferred in the absence of infrastructure.

---

<sup>8</sup> Andhra Pradesh, Goa, Gujarat, Karnataka, Kerala and Tamil Nadu

### 1.3.5.5 Establishment of Polymerase Chain Reaction (PCR) labs.

The authority identified that screening of brood stocks (black tiger shrimp) and Post Larvae (PL) in hatcheries and adoption of proper managerial measures at the farm level as short term measures for tackling disease problem. Long term solution for tackling disease problems was to develop domesticated Specific Pathogen Free (SPF) and Specific pathogen Resistant (SPR) brood stock. The authority promoted setting up of PCR labs to help hatcheries to acquire the most advanced facilities for disease diagnosis. Details of physical and financial targets and achievement their against is indicated in table-17.

**Table-17**

(₹ in lakh)

Year	Number of Laboratories					
	Targets		Achievements		Savings(+)/Excess (-)	
	Physical	Financial	Physical	Financial	Physical	Financial
2005-06	10	50.00	6	25.23	(+)4	(+)24.77
2006-07	10	50.00	2	9.88	(+)8	(+)40.12
2007-08	10	50.00	8	31.99	(+)2	(+)18.01
2008-09	4	15.00	6	22.09	(-)2	(-)7.09
2009-10	18	87.65	9	40.68	(+)9	(+)46.97
<b>Total</b>	<b>52</b>	<b>252.65</b>	<b>31</b>	<b>129.87</b>	<b>(+)21</b>	<b>(+)122.78</b>

It was seen that in 31 PCR labs established with subsidy of ₹ 1.30 crore from the authority during the period 2005-06 to 2009-10, no details relating to impact of the subsidy like quantity of disease free seed supplied, and increase in productivity of farmers who have utilized these seeds was collected.

The Authority stated (May 2011) that due to high cost and decrease in demand for seeds there was delay in establishment of PCR labs by hatcheries thereby delaying award of permanent registration.

#### **Recommendations**

- *The authority should ensure quality of marine products as per the standards of importing countries*
- *Monitoring mechanism of the performance of outsourced quality certification laboratories needs strengthening.*

### 1.3.6 Research and Development

#### 1.3.6.1 Transfer of Technology to Farmers, Entrepreneurs

Rajiv Gandhi Center for Aquaculture (RGCA) is the Research & Development wing of the Authority striving to develop new aquaculture technologies in India particularly those of export oriented species and disseminate it to the industry. For the purpose, it had undertaken 11 projects during June 2000 to April 2008.

The authority felt the need to develop hatchery and farming technology for sea bass (variety of fish) as no fool proof technology for scientific breeding and farming of sea bass was available in India. The Sea bass Hatchery, Sea bass demonstration farm, initiated in June 2000 and Mud crab hatchery & farm initiated in April 2004 were completed but the technology dissemination to the industry was yet to take place except in case of sea bass hatchery where the technology has been developed and streamlined and the sea bass seed in sufficient quantities is readily available for the requirement of farmers. The remaining eight projects were only at initial stages of implementation (May 2011).

The authority replied (May 2011) that during the past ten years the tasks assigned to RGCA on development of hatchery and farming technology for Sea bass have been achieved; however, updating and fine tuning of certain areas of technology were left which are now being pursued. The Authority further replied (July 2011) that the amount spent on Sea bass project has helped creation of necessary environment for large scale aqua culture of these species. The Authority, however, did not produce data in support of their reply.

### **1.3.7 Regulatory Functions**

#### **1.3.7.1 Registration**

The objective of registration of hatcheries and fishing vessels was to certify that they meet certain desired specifications stipulated by importing countries like EU, Japan and the US. Registration helps to promote good operating practices for the hatcheries and in case of vessels to validate that the fishes exported are from a legal, regulated and reported fishing activity. The registered parties get the benefit of subsidy and better marketability for their products. There was very poor progress in registration of hatcheries and vessels.

The key to achievement of this objective of ensuring that large number of hatcheries and vessels got registered was to initially convince a few parties about benefits of registration and demonstrate its utility for emulation by other parties, who would be convinced of the merits of registration. Such an approach was lacking.

It was observed that, most of the hatcheries and fishing vessels do not get registered with the authority other than for the purpose of availing subsidy from the authority.

### **1.3.7.2 Inspection of vessels, processing plants, etc.**

As per Section 9 (2) (e), the Authority has to carry out inspection of marine products in fishing vessel, processing plants, storage premises etc, for ensuring the quality of marine products. It was observed that such inspection was not carried out by the authority.

The authority replied (May 2011) that the field staff verifies the same for compliance and also at the time of renewal of approval/registration.

It was further observed that verification of facilities at the time of approval/registration alone would not ensure quality of marine products for exports. The authority should make comprehensive plan for inspection to cover all registered vessels periodically and initiate follow up action on the deficiencies noticed during inspection. The authority further stated (July 2011) that the field offices would be requested to inspect all registered fishing vessels periodically and initiate follow up action on the deficiencies noticed during the inspection.

### **1.3.7.3 Meetings of Executive Committee**

As per requirement of the Act the Authority appointed an Executive Committee for the efficient discharge of its duties and performance of its functions. The Act, however, did not prescribe the minimum number of meetings to be held during any particular period. It was observed that the Executive Committee did not meet after July 2008.

The authority replied (May 2011) that the Executive Committee did not meet as there was no specific Agenda for the Executive Committee. However, the schemes of the authority and problems and issues relating to seafood exports etc are discussed with the industry, vessels operators, farmers and officials in the Ministry, at frequent intervals and therefore, the effective implementation of the schemes were not affected.

### ***Recommendation***

- *The Ministry/Authority may consider replacing the periodical assessment of progress with periodic visits to the premises of the beneficiary to assess the beneficiary-wise impact of schemes.*

### **1.4 Conclusion**

The various schemes operated by the authority were basically confined to disbursement of financial assistance. The post disbursement mechanism to avoid misuse of financial assistance was ineffective. It relied on submission of reports by the beneficiaries instead of periodical visits to the premises/vessels of beneficiaries covered under the various schemes.



There was no assurance that money spent has actually been utilised by the beneficiary for the intended purpose. Given the stringent norms of importing countries there was an absolute necessity that the operators perceived the benefits of quality processing. Further, against the target of 45 hatcheries, only 21 hatcheries had come up during the period of report due to which grant to the extent of ₹ one crore remained un-utilized. The objectives of the MoU signed with Swiss Import Promotion Programme to develop Organic Aquaculture were also not achieved despite incurring an expenditure of ₹ 65.62 lakh on consultancy alone.

### **1.5 Acknowledgement**

Audit acknowledges the co-operation and assistance by the authority during the course of this performance audit.

The matter was reported to the Ministry in April 2011; their reply was awaited as of July 2011.